THE Freeman

IDEAS ON LIBERTY

APRIL 1956

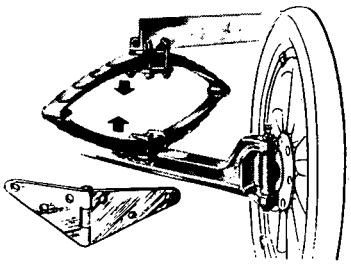
I'm Fed Up with Union Bossism	*George Bronner*	9
As Frank Chodorov Sees It	*Frank Chodorov*	18
Wheat and World Trade	*Paul de Hevesy*	22
Ponzi Was a Piker	*Clarence E. Manion*	27
A Festschrift for Dr. Mises	*Bettina Bien*	29
A Call to Liberalism	*David Lawrence*	33
Why Wages Rise: 2. Productivity	*F. A. Harper*	36
On That Day Began Lies	*Leonard E. Read*	40
The Prisoner of Chillon	*Lord Byron*	52
On Liberty	*John Stuart Mill*	53
A Reviewer's Notebook	*John Chamberlain*	57
Other Books		61

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

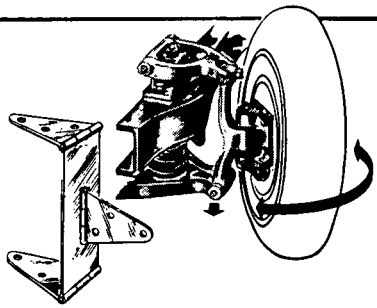
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

If your car has Thompson Products ball joints

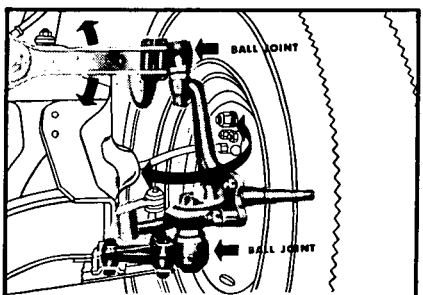
IT WILL HUG THE ROAD BETTER, STEER EASIER, RIDE SMOOTHER AND REQUIRE LESS SERVICING. HERE'S THE STORY:



On Early Cars the front wheels turned right or left as though they operated on door hinges. The entire axle moved up and down stiffly, both springs absorbing all shocks. Later, "knee action" gave each wheel its own springing action, but this greatly complicated the steering mechanism.



The Next Step retained the "hinge" principle, but the coil spring required an *additional* hinge action . . . this time up-and-down. Unfortunately, this meant more points of friction . . . more wear . . . more joints to become loose . . . more points to lubricate . . . and required very accurate alignment.



Thompson Ball Joint, the latest development, permits both right-and-left and up-and-down motions at one point. Steering and suspension movements are combined. The king pin and the old-fashioned "hinge" principle are done away with.

Ball Bearing Steering and Parking Ease is now added to over-all riding comfort. Even on rough, crooked roads, in any weather, steering is easier and safer. In the grueling 1,912 mile Pan American road race the *first four* winners were equipped with ball joints . . . *proof positive.*

LEADING CAR MAKERS ARE NOW USING this highly efficient ball joint for front wheel suspension. *Look for it on your next car.* Ball joints are typical of the many improvements developed by Thompson Products. For more than half a century, Thompson has been a leading producer of automotive parts . . . including valves, pistons, piston rings and chassis parts, as well as components for both piston and jet aircraft. Consumers and industries alike *count on Thompson* for the newest and the best. Thompson Products, Inc., General Offices, Cleveland 17, Ohio.

You can count on

Thompson Products

MANUFACTURERS OF AUTOMOTIVE, AIRCRAFT, INDUSTRIAL AND ELECTRONIC PRODUCTS. FACTORIES IN FIFTEEN CITIES

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

APRIL 1956

VOL. 6, NO. 4

Additional copies, postpaid, to one address: Single copy 50¢; 3 for $1.00; 25 or more, 20¢ each.

Permission is hereby granted to anyone to reprint any article in whole or in part (providing customary credit is given), except *A Call to Liberalism* and *Ponzi Was a Piker.*

Now available in reprint form are: *I'm Fed Up With Union Bossism*: 10 for $1.50; and *On That Day Began Lies*: 10 for $1.00; quantity prices on request. Any other article will be supplied in reprint form if there are enough inquiries to justify the cost of printing.

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.

Accepted as controlled circulation publication at Irvington, N. Y. with additional entry at New York, N. Y.

Copyright 1956, The Foundation for Economic Education, Inc. Printed in U. S. A.

On Tap For May

TRY AS WE WILL to anticipate the questions uppermost in the minds of readers, we seem bound to go to press each month with several vital topics hanging fire. For instance, here are a few matters that time and space would not allow us to examine in this April issue — topics to be treated next month, we hope:

"What are some of the most serious errors in the philosophy of Karl Marx and his followers?" is the question William Henry Chamberlin will discuss.

Dr. Harper plans to compare wage payments with returns on capital and to show some of the important factors which affect that distribution.

Is there a doctor shortage that federal funds can cure? Dr. Gordon Leitch of Portland, Oregon, believes that there is a libertarian approach to the problem.

The Reverend August W. Brustat proposes a deviation from the trend toward more and more federal aid and control of education.

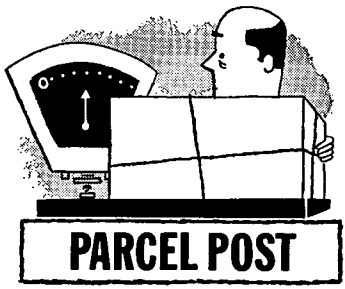
Charles Wolfe has reserved space for an up-to-date analysis of international relationships as influenced by various American programs of foreign aid.

It would be foolish to go further with this list, for who can say what new aspects of the philosophy of freedom will crop up for treatment next? There is assurance, however, from the list of articles on tap, that the May FREEMAN will be an exciting issue.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Government is no place for . . .

"LEMONADE ECONOMICS"



Most children make money on lemonade stands—"profits" are high and prices are low. That's because lemons, water, sugar, ice, and utensils come from mother's kitchen and are not included in the cost.

But that's hardly the way to operate our Government's parcel post system which, by law, is supposed to pay its own way. It not only competes unnecessarily and unfairly with private carriers but requires taxpayers to make up the difference between low rates and higher costs.

Post office reports do not include annual costs in excess of $43 million attributable to 4th class mail which are paid by other Government departments, nor do they include annual interest charges on the accumulated deficit of $1.2 billion from parcel post operations.

Commercial customers of this "lemonade stand" operation naturally find Government's services "cheaper." That's why they seek to perpetuate and even extend their special advantage at everyone else's expense.

There *is* something that can be done about it.

The Hoover Commission, along with many others, has recommended legislation to the present Congress which would require parcel post shippers to pay *all* the costs.

RAILWAY EXPRESS AGENCY

For a free copy of an informative booklet, "The Truth about Parcel Post," address The Public Relations Division

RAILWAY EXPRESS AGENCY, INC.

219 East 42nd Street, New York 17, N. Y.

A PRIVATE ENTERPRISE IN THE PUBLIC SERVICE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(*Advertisement*)

Greater reliance on competition in rates among the different types of carriers, subject always to essential safeguards of ICC regulation, would make for more efficient use of our transportation plant, and more economical service for all of us. This key recommendation in the report of a special Cabinet-level Advisory Committee named by the President is here discussed by Mr. Faricy.

The Right To Compete

Cornerstone of Modern Transportation Regulation

by William T. Faricy

President, Association of American Railroads

THREE outstanding facts about transportation in the United States today are:

1. that "within the short span of one generation this country has witnessed a transportation revolution";
2. that "during this same period, government has failed to keep pace with this change"; and
3. that "in many respects, government policy at present prevents, or severely limits, the realization of the most economical use of our transportation plant."

These statements are not mine. They are from a report made by a special committee of Cabinet officers and other high ranking government officials established by President Eisenhower in July, 1954. The report, made public by the White House in April, 1955, was unanimous, being concurred in by all seven of the Cabinet-level officers who composed the Committee.[1]

The key recommendation of the Cabinet Committee is that in today's competitive transportation world, where the user has his choice of many means of carriage, greater reliance should be placed on competition in pricing as among the various modes of transport. This is what the Committee regards as the "cornerstone" of a modern system of regulation designed to bring about a more effective use of our transportation resources.

Regulation, Yes, But Not Allocation

As matters now stand, one of the principal tests applied by the Interstate Commerce Commission in its control over rate competition among the different types of carriers is the concept that the government's power to regulate rates should be used to see that each form of transportation gets what the Commission deems to be its "fair share" of the available traffic.

[1]Revision of Federal Transportation Policy: A Report to the President, April, 1955. U.S. Government Printing Office, Washington, pp. iv. 20. Members of the Committee are Sinclair Weeks, Secretary of Commerce, Chairman; Charles E. Wilson, Secretary of Defense; and Arthur S. Flemming, Director, Office of Defense Mobilization, and, as Ad Hoc Participating Members, George M. Humphrey, Secretary of the Treasury; Arthur E. Summerfield, Postmaster General; Ezra Taft Benson, Secretary of Agriculture; and Rowland E. Hughes, Director, Bureau of the Budget. The report and recommendations of the Committee are unanimous.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Thus, when the railroads proposed to reduce rates upon tank-car movements of petroleum products in California and Oregon as a means of regaining some of the traffic which had been lost to barges and trucks, the Interstate Commerce Commission found that the proposed rates, while yielding revenues which would "contribute substantially to the overhead burden and profits," should nevertheless be rejected because they were lower than the cost to the shipper of using the competing barge-truck routes and thus "lower than is necessary fairly to meet the competition." Moreover, from the Oregon points, the ICC ordered the rates cancelled because they would "affect adversely the maintenance of competitive motor-carrier transportation."[2]

For like reasons, the Commission has refused to allow railroads to make competitive reductions which they have proposed in rates on sugar from ocean ports to Cincinnati and Louisville, on tinplate from Alabama to New Orleans, on petroleum products from Whiting, Indiana, to Illinois points, on coffee from Los Angeles and San Francisco Bay points to Northern Utah and Idaho, on magazines from Philadelphia and Darby, Pennsylvania, to Texas, on sulphur from Texas to Wisconsin, on scrap rail from Gulf ports to Chicago and on aluminum articles from Texas to Illinois and Iowa — to name a few other instances.

Such a policy of attempting to allocate business among the different types of carriers requires, in effect, that one form of transportation hold an "umbrella" over the rates and traffic of its competitors by another form of carriage. But if one form of transportation, because of its inherent nature, is able to move a given commodity between given points at a lower rate than competing forms, to do so at a profit, and to do so without discriminating against other shippers, then why should not the low-cost carrier have the business and why should not the public have the saving?

That, in essence, is what the Cabinet Committee's report proposes — namely, that the law should make it clear that through its power of rate regulation neither the Interstate Commerce Commision, nor any other governmental body, should undertake to allocate and divide business among the different types of carriers. The position of the Cabinet Committee is that "the market" — competitive pricing along with competitive service — can do this job better than it can be done by any sort of government allocation.

Essential Rate-Making Standards Maintained

In taking this position, the Presidential Committee did not recommend, and no one contemplates, doing away with the power of the Interstate Commerce Commission to regulate rates. Rates would still have to be published in tariffs filed by the carriers with the Interstate Commerce Commission, as they now are, and still would have to be adhered to

[2] 284 ICC, pp. 287, 296, 304, 306.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as published. Rates still would not go into effect ordinarily until 30 days after filing, and there still would be opportunity for shippers or other carriers to protest or for the Commission to act on its own motion.

The Commission would still have responsibility and power to see that rates are neither unreasonably high nor unreasonably low — a principal test being that they shall be compensatory to the carrier proposing them — and that they do not unjustly prefer or discriminate against any person, any community, or any region. But within these limitations, the recommendations of the Presidential Committee contemplate that competitive pricing, as well as competition in service, should prevail.

Such a result could be accomplished by a simple change in the statutory standards to be applied in determining whether a proposed rate is lower than a reasonable minimum, without affecting the other standards presently applied by the Interstate Commerce Commission. The essential standards would continue as they now are *except* that in determining whether a proposed rate would be less than a reasonable minimum the Commission shall not consider its effect upon the traffic of any other mode of transportation, nor its relation to the charges of any other mode, nor whether it is lower than necessary to meet the competition of any other mode of transportation. Such a proviso would make it perfectly clear that the Interstate Commerce Commission is not expected to undertake an artificial and arbitrary apportionment or distribution of traffic among the several forms of transport.

With traffic distributed in accordance with the natural capabilities and advantages of each kind of carrier, a better balanced development of our national transportation plant would follow. In such a development, each mode of surface transport — rail, highway and water — would take its proper place and part, performing those services which it can do better and more economically than the other modes, with both rates and service always taken into consideration. And the public, the users of transportation, would get the benefit.

This sound idea, so thoroughly in accord with the customs, the traditions and the thinking of the American people, has been met with bitter objection from spokesmen for some of the trucks—principally the heavy highway freight haulers — and some of the inland waterway barge carriers.

They have objected to the composition and the procedures of the Cabinet Committee and the working group, or staff, by whom it was assisted. Attempts have been made to create an impression that the working group gave consideration to the views of the railroad industry alone, but the fact is that other groups also submitted their views and that representatives of the trucking industry submitted written recommendations and also discussed them with the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

chairman of the group. The insinuation that the seven high government officials who concurred in its unanimous recommendations, and also the group of highly qualified and disinterested private citizens who did the preliminary staff work, listened only to railroad representations is simply not true.

The "Monopoly" Bugaboo

According to assertions of trucking spokesmen, this recommendation for greater freedom of competition between different modes of transportation would turn transportation back to a state of "cut-throat competition" said to have existed before 1887, when the original Act to Regulate Commerce was passed.

There isn't a chance of a return to the conditions of 1887, either in the physical facts of transportation or the legal terms under which the business is conducted.

In 1887, the only effective competition was that among railroads. Since then, billions of dollars have been spent on building and improving waterways, and the waterways are here and will remain. Many more billions have been spent on improved highways, and the highways are here and will remain. These waterways and highways are used by tens of thousands of common and contract carriers by water and by motor vehicle. They are also open to the use of anyone who wishes to move his own goods in his own vehicle and vast tonnages are so moved. Indeed, nearly two-thirds of all intercity freight traffic on the highways and more than nine-tenths of inland waterway traffic is either of this character or is otherwise exempt from interstate regulation as to rates. The mere physical facts as to the extent of transportation facilities in this country, and the variety of their ownership and use, make any chance of general monopoly in transportation too remote to deserve consideration.

From the standpoint of the laws, there has been an equally striking change. Prior to 1887 rates could be made in secret. Now rates are required to be published, with due public notice, and must be adhered to as published. Prior to 1887, there was no statutory prohibition against discriminations or preferences in rates. Now, rates of regulated carriers cannot discriminate against one shipper, or commodity, or community, or region, and cannot prefer another.

There is no recommendation in the Cabinet Committee's report which would depart from these requirements. Adoption of the Committee's report would not authorize the making of secret rates. It would not do away with the requirements of public notice and of adherence to the published rate. It would not permit the making of rates which are either discriminatory or preferential. And the Interstate Commerce Commission would have power to enforce these principles, as well as to prohibit rates which are either unreasonably low or unreasonably high.

No, with competition what it is and the laws what they are — and what

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

they will remain if greater freedom of competition in pricing as among the different modes of transportation is adopted — there is no possibility that a transportation monopoly could be created or sustained.

No Below-Cost Rates

But motor and water carriers assert that to permit greater freedom in the making of competitive rates would enable the railroads to destroy highway and waterway competition. It must always be remembered, however, that under the Cabinet Committee's recommendation, as well as under present law, railroads could not make below-cost rates. If it be true, as claimed by spokesmen for trucks and barges, that they could not continue to exist in the face of competitive rates which are compensatory and non-discriminatory, then it would follow that trucks and barges often would have no proper place in the transportation system and would exist only because the railroads are restrained from meeting their competition.

Such an assertion is, of course, absurd. In transporting many kinds of freight, trucks and barges have advantages in service or cost or both. The report contemplates that trucks and barges should have complete opportunity to give full force and effect to their competitive advantages whenever they exist — the same opportunity, in fact, as is proposed for the railroads.

Another assertion of opponents of the recommendation, equally baseless, is that greater freedom in competitive rate-making would burden shippers of so-called non-competitive or "railbound" traffic. The assertion has repeatedly been made that if rail rates on competitive traffic are reduced it would be necessary for non-competitive traffic to pay higher rates to offset the revenue losses.

Rates × Volume = Revenue

Such assertions rest on a completely erroneous premise, namely, that lower competitive rail rates would reduce rail revenues. Railroad revenues are the product of two factors, rates and volume. The only motive or purpose the railroads would have in publishing reduced competitive rates would be to attract enough increased volume to more than offset the reduction in rates, and thus to produce greater net revenue.

Such competitive rates, it should be borne in mind, would be required to be compensatory as well as non-discriminatory so that instead of hurting non-competitive traffic, they would benefit it by reducing the share of the necessary fixed overhead expense the non-competitive traffic is called upon to bear. What the shippers of non-competitive traffic have real reason to fear is that competitive traffic will continue to be drained from the railroads, thus increasing the burden of overhead and fixed expense which will have to be borne by the traffic remaining on the rails.

How this works in practice was well stated by the Interstate Commerce Commission as follows:

"It is a well-established and generally recognized rule that if addi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional business can be taken on at rates which will contribute at least a little in addition to the actual out-of-pocket expense, the carrier will be advantaged to that extent and all its patrons will be benefited, to the extent to which such traffic contributes to the net revenue."

The Competitive Principle

The competitive spirit has been the driving force of progress in America; the competitive principle is the very foundation of our national economy. That greater reliance should be placed on this principle in the determination of rates as among the several kinds of carriers — always subject to the continuing limitations of essential ICC regulation — is the heart of the Cabinet Committee's recommendations.

While spokesmen for trucking and barge interests object to the principle, it has received the endorsement of such major organizations of users of transportation as the American Farm Bureau Federation, the National Grange, the Chamber of Commerce of the United States, and the National Industrial Traffic League, which is the major nation-wide organization of men who, as shippers, deal daily with the practical problems of rate making and regulation.

What this experienced body of transportation experts, who use the services of every kind of carrier and are concerned only with maximum transportation efficiency, has to say on the subject is particularly in point. On November 23, 1955, the League approved amendment of Section 15a(2) of the Interstate Commerce Act by adding the following proviso to the considerations to be taken into account by the Interstate Commerce Commission in "the exercise of its power to prescribe just and reasonable rates":

"Provided, however, that in determining a minimum rate the commission shall not consider the effect of such rate on the traffic of any other mode of transportation, the relation of such rate to the rate of any other mode of transportation, or whether such rate is lower than necessary to meet the competition of any other mode of transportation."

Without going into any of the technical details involved, President Eisenhower, in his message on the state of the Union submitted to the Congress on January 5, 1956, had this to say:

"In my message last year, I referred to the appointment of an advisory committee to appraise and report to me on the deficiencies as well as the effectiveness of existing Federal transportation policies. I have commended the fundamental purposes and objectives of the committee's report. I earnestly recommend that the Congress give prompt attention to the committee's proposals."

Fundamental among these proposals is that to allow greater freedom in pricing among the different types of transportation. Under such conditions, with each user of transportation free to choose the type of carriage which best meets his needs for any particular task, the transportation needs of the nation as a whole would be met with maximum efficiency and at minimum cost — and the producer, the shipper, the consuming public and the national defense all would benefit.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I'm Fed Up with Union Bossism

George Bronner

as told to Charles Hull Wolfe

For the first time in a national journal, a rank and file member of UAW-CIO sounds off against the tyranny and socialism of a monopolistic union.

TO MOST Americans, organized labor may sound like one huge chorus singing in unison. But as an insider, a union card-holder for 31 years, I say: No, it's not a chorus — it's more apt to be a solo of a single union boss.

Consulting only with the other union big shots, and often turning a deaf ear to ordinary members, the head man decides on "labor's viewpoint," then tells it to the world. Standing silently behind him are the union rank and file. Many resent what the labor boss says and does. But their protest is seldom heard. They are men without voices, hidden behind a kind of Iron Curtain — a fear of ostracism, of firing, or even of bodily harm, if they speak out what they really think.

I know what's happened to me when I've stood up in union meetings to object to dictatorial methods. Henchmen in cahoots with the leaders booed me down with shouts of "Shud up! Ya don't know whatcha talkin' about!"

And after I've sounded off in public against what I considered to be UAW-CIO mistakes, I know the dirty looks and words some of my fellow unionists have hurled at me.

I also know what happened to a friend of mine, a fellow I grew up with and went to school with. Like myself, he joined UAW-CIO, and after World War II got fed up with paying heavy dues but having no voice as to how they were spent.

When the union wouldn't listen, he wrote his local Grand Rapids paper objecting to UAW-CIO's undemocratic procedures:

> We just fought a war against dictatorship. But why did we spend all our efforts abroad when we've got so much dictatorship at home — right in our own labor unions?

UAW-CIO suspended him from membership. The reason? He was "anti-union," they said.

Mr. Wolfe is a member of the staff of the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Union Eliminates Opposition

It's not just a few lone rebels who get gagged, but whole groups of union members — if they go against the big shots. Not long ago in the plant where I work (Fisher Body, Grand Rapids Stamping Division, Plant No. 1), we elected three representatives to a meeting of General Motors Sub-Council, UAW-CIO, that was being held in Flint.

One of the union bosses found that our delegation was instructed to vote against the so-called Guaranteed Annual Wage — which, of course, the top CIO brass was backing to the hilt. Suddenly the Credentials Committee decided our papers were "not in order," and we were refused our seats on the Council. We weren't even allowed in. The strategy was obvious: Rather than buck opposition, why not eliminate it?

It's not just that union methods are autocratic. Their whole approach is socialistic. In UAW-CIO there's hardly any interest in a man's individual training or ability. Instead, they seem determined to turn us into "faceless men," lumped together like sheep in a flock. Time and again I've found that union bosses actually go along with the collectivist slogan: "From each according to his ability, to each according to his need."

I first woke up to this when I was helping build Sikorsky helicopters at a plant in Grand Rapids. It was during the final stages of World War II, and we were rushing to complete a new craft important to us and our allies.

We hit a snag. A set of dies was urgently needed. They had been made months before in Milwaukee but were still in the try-out stage — the Milwaukee people couldn't make them work. So they finally shipped them to us in Grand Rapids. At first we were completely stumped, as baffled as the men in Milwaukee. But four tool and die workers wouldn't give up. Nine days on end these men wrestled with the dies. They tried every trick in the book, and some that weren't in the book. Finally, success. They found a way to make the dies work.

We were proud of those four men, and a group of us proposed that they be rewarded with a ten-cent-an-hour raise. The plant manager pointed out it had to be cleared through the union and the NLRB. After three months, we were called into a meeting with the local union's bargaining committee.

The plant manager okayed the ten-cent increase — not just for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the four, but for everyone in the tool and die room, since all helped, at least a little, in making the dies work. But the UAW-CIO boss who attended the session wouldn't approve the raise. "No," he said, "there can't be an increase — not unless it's a blanket raise *throughout* the shop, a raise for everyone in the entire plant! Either everybody, or nobody."

So who got the increase? Nobody.

I was steamed up. Because I believe it's individuals who count, and when a man does a swell job, he deserves a reward.

Everyone Loses Incentive

If you fail to reward a fellow for his personal achievement, but give only mass raises, what happens? Everybody loses incentive. The real worker says: "Why try so hard? Nobody cares!" The guy who goofs off figures: "Why knock myself out? I'll get a raise anyway." Thus, productivity suffers — for the individual, and in turn, for the whole economy.

Sometimes the conscientious worker, instead of throwing up his hands in disgust, takes a simple alternative — he quits and goes somewhere else. That's always a man's privilege in a free country. That's what about twenty of us did after the big wheel from union headquarters told us "either everybody or nobody" would get the raise. We left and found work elsewhere.

That is, we *thought* we found jobs elsewhere. It's true, each of us did land in some other plant. We were spread far and wide, working for different companies. But actually, most of us discovered we were still working for the same old boss — the union.

We tried to do what free men have a right to do — leave a job you don't like and look for a better one. But no matter where we auto workers went, our real boss — the one who had most to say about our wages and working conditions — remained the same. It remained UAW-CIO.

They talk about General Motors or Ford being monopolies. Maybe they are too big. But they're pikers in the monopoly business compared to UAW-CIO. That's the real automobile monopoly. The auto worker still has freedom when it comes to choosing companies. He can take his choice of working for G.M., Ford, Chrysler, Studebaker - Packard, American Motors, and some smaller firms. But what freedom has he when it comes to choosing his union? Almost none. For one thing, he's forced to join the union, or he doesn't work. And chances are he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

has no choice of union but has to sign up with UAW-CIO.

And in every company, UAW-CIO operates by just about the same dictatorial methods. They don't give a hoot about personal job achievement, but lump all workers together and constantly ignore the difference between the skilled and unskilled.

How The Union Levels Wages

Maybe I have a private ax to grind about that last point — the union's insistence on flat across-the-board raises which level off incomes and bring the wages of the unskilled almost up to those of the skilled. It happens I'm a journeyman. I've spent almost 26 years learning my trade — tool and die work — m o s t l y by on-the-job training. It hardly seems fair that a fellow who's never tried to learn anything, and who hasn't any special training, should earn almost as much as I do.

This is no mere personal gripe — it's not just a private beef. The "leveling" policy is a socialistic idea, part of the plan to regulate and "protect" all the workers, under the control of a few all-powerful persons. But as un-American as this idea is, it's gaining ground.

During the war, the automobile production man (the unskilled fellow) drew approximately 80¢ an hour, compared to about $1.25 an hour for the skilled worker. This meant about 50% more for the trained journeyman. I think this is fair. After all, it took him years to learn his trade.

Now, though — with this leveling process constantly at work — that percentage has been cut down to approximately 30%. Today, under base scales set by UAW-CIO, the unskilled worker is drawing about $2.00 an hour, while the skilled man is earning only about $2.65.

Sometimes the gap is narrower. We have a case in Grand Rapids where the production worker gets more on an hourly rate than a skilled man. And the fellow who wants to become a trained worker finds that, under the apprentice program, his wage is far lower than the production man's.

If supply and demand were allowed to set the differences between skilled and unskilled, these rates would adjust themselves. But what is happening now, under the union's wage leveling?

Shortage of Skilled Men

We're faced with a serious shortage of skilled workers. Companies urge production men to enter the apprentice program. But they can coax all they like. If the money isn't there, why should a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Bernie Photo

About George Bronner

As you first meet George Bronner, you may be aware only of a big burly man with a wrestler's grip and a slightly rasping voice. But as he talks — his conversation a rare mixture of colloquialisms and more erudite phrases — you catch the depth of his mind and the warmth of his nature.

Now forty-eight, and a rank and file member of UAW-CIO and the Society of Skilled Trades, Bronner has been a union man since he was seventeen. He is a highly-skilled tool and die worker, employed by General Motors at a Fisher Body plant in Grand Rapids, Michigan. This spring, Bronner attracted national attention after being placed on "trial" by UAW-CIO, charged with "disloyalty."

Though his formal education was cut short long before college, Bronner never stops learning. He's an avid reader — books, magazines, newspapers — and has an instinct for thinking things out for himself.

When in his thirties, Bronner married an attractive young widow, part Irish, part German, and part Choctaw Indian. If Ocie Bronner is reminded that her husband is saying some pretty bold things about unionism, and is asked, "Aren't you afraid for his safety?" she's apt to reply, "George has thought it out very carefully. I tell him: As long as you're sure you're right, go ahead and do it. I'll stand by you."

And George Bronner is apt to keep on saying and doing what he thinks is right. As George says, "I can't help it."

---

man exert himself? Especially when he knows the pot of gold at the end of the training years is hardly any larger than the pot of dollars handed *right now* to the man who doesn't even try to learn.

All around me I see how this union-sponsored leveling kills initiative. Some men who were working with me 20 years ago are still in production today. I could give many examples.

A smart fellow who had been a farmer but was unskilled in factory work, took a routine job in a plant running the Do-All saw, a band saw that cuts metal. The company gave him the chance to enter the training program, a five-year deal. "Why should I become an apprentice and reduce my rate?" he asked. "Even after I'm made a journeyman, I'd still earn only a few cents more per hour.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I'll stick to the Do-All saw." That's what he did — and the company (and the country) lost one more craftsman. Unfortunately, things like this are happening across the country — every day.

The So-Called Minimum Wage

Wage-leveling, of course, is not the only way CIO policies are hurting personal initiative. They cut still further into a man's incentive with their proposal of the so-called Guaranteed Annual Wage.

When I tell fellow unionists I'm against this idea, they're apt to blurt back, "Whatsa matter, George — you crazy or somethin'? You don't want a guaranteed wage?"

Sure, I'd like a guaranteed income, even a guaranteed *life-time* income. For that matter, I might like a promise that I could sun myself on Miami Beach the rest of my years, and have Santa Claus — once a week like clock-work — deliver to my cabana a trunkful of hundred-dollar bills.

But that's dreaming. Getting back to facts: I'd go for a Guaranteed Annual Wage, *if* it were actually possible to get it, and *if* I could get it without hurting myself or anyone else. But so far, nobody has figured out how to do that.

All the efforts to get a Guaranteed Wage have been aimed at getting it from a man's employer. Before an employer could ever guarantee such a thing, someone would have to guarantee *him* — that is, his company — an annual income! But nobody has, and nobody will.

Business being what it is — with more ups and downs than a Coney Island roller coaster — a company never knows just how much it'll earn in a year. If a union forces a firm to continue paying a fixed wage to all its people (whether they're working or not), and then things get slow and a lot of folks have to be laid off, what will happen to that business? It will go broke. It will close up. Then what will happen to the wages it was paying? They will disappear. So what happens in that case to the Guaranteed Annual Wage? It vanishes into thin air.

Companies Could Be Bankrupted

Now, strange as it may seem, CIO bosses laugh off the fact that this might happen. They try to deny that their plan could bankrupt a company, though they say that all CIO men must be paid even when laid off because of shutdowns caused by flood, fire, or other "acts of God."

But here's proof that they really

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

know their plan *could* bankrupt a firm; they're already cooking up schemes to "help" companies which might go broke under the G.A.W.

If an outfit is sinking, CIO will "allow" it to make its G.A.W. payments later — after it begins to get back on its feet. But a payment *tomorrow* won't help a man who's unemployed *today*, though it can help bankrupt a company that is just coming out of yesterday's slump.

Also, the papers say CIO is telling companies they can get something called reinsurance to cut down the risks of being bankrupted by G.A.W. But I hear that private insurance firms may not be willing to take such a long shot. That means companies would have to get reinsurance from the government. In this case, each time CIO's guaranteed wage plan makes a company fail, every taxpayer has to fork over to help put that firm back in business!

Finally, CIO says that in order to steer clear of bankruptcy, companies will be *forced* to avoid layoffs — obliged to keep production humming 52 weeks a year. But the boys who figured this out forgot to do their economics homework.

Demand for a product can jump around like a yo-yo — and it's the customers (not the manufacturers) who pull the string. If an outfit keeps on turning out the same amount of goods all year round, without responding to consumer demand, there's only one place that company can end up — in the poorhouse.

Since G.A.W. threatens in so many ways to force companies out of business — and thus cut off that firm's wages completely — I feel the words "Guaranteed Annual Wage" are a phony label. The fact is, before everyone could have a guaranteed yearly income, the whole nation — including every single business — would have to have a guaranteed prosperity, with production and sales going full tilt the year round. And according to what I read, even the economists with the biggest rose-colored glasses agree that this is impossible.

The top CIO bosses are pretty smart fellows, and I figure they know these things as well or better than I do. Maybe that's why they're not proposing, really, a universal guaranteed annual income. What they're actually after is something called "supplemental unemployment benefits" — but only for CIO people.

Campaign in Michigan

Right now in Michigan, where I live, the UAW-CIO bosses want to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

keep our state Unemployment Compensation Act, which pays the highest benefits of any state in the Union. But, when a UAW-CIO man is laid off, in addition to receiving his full state unemployment payments, they demand that his employer pay him supplemental benefits. The idea is that a fellow should get just about the same income all the time — whether he's working or not.

This may sound like a good deal, but I wouldn't touch it with a ten-foot pole.

Can you think of any better way to knock out a man's initiative? What incentive does a fellow have to look for work, if he can get his full salary 26 weeks in a row without lifting a hand?

There's at least a little streak of laziness — some desire to get something for nothing — in everyone. Why go so far out of our way to encourage it?

I figure I'm about as honest and self-reliant as the next guy. But I live in a part of Michigan where hunting and fishing are terrific, and I love them both. For years I've been hankering for a long trip outdoors. And I have some UAW-CIO buddies who'd sure like to come along. With the union's proposed supplemental unemployment benefits, we could all go off in the woods for months at a time. And we could do it on practically *full* pay. What a temptation!

This incentive-killing plan is bound to increase unemployment. And who's going to pay the unemployment compensation? Who's going to give laid-off UAW-CIO members a sum almost equal to their full wages?

It may come as a shock — but *you* are! You, and everyone else who buys automobiles and trucks and other things UAW-CIO men make. You'll pay for it in higher prices.

I'm a member of a group called the Michigan Information Committee, and we just put out a pamphlet that explains it this way:

> Both the state unemployment money and the private unemployment funds are paid by employers; but they get *their* money from you — the citizens — in what you pay for their goods and services.
>
> The only way employers can afford to pay these increased incentive-destroying unemployment benefits is to raise prices. If the amount of increased prices were used to improve production, you'd get some value from paying the higher price. But you can't get any value from paying higher prices used only to support idleness.

Under the proposed plan, most of our wage goes into our weekly pay envelope, and the rest into a reserve fund. But I say, if money is taken from a working man's pay, it should be placed in an in-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dividual account, to be used the way he wants—and not put into a general fund.

Who will pay the most into this fund? I'll tell you. The men who've worked the longest and steadiest. Who will get the most out of it? That's easy. The man who's worked the shortest, and who's the least steady. You can work every day for 20 years, put money in the fund each week, and draw out nothing. Another guy can come along, work in UAW-CIO for just two years, and get just about full pay for 26 weeks of loafing. This is unfair. Worse than that—it's socialistic.

The Way It Adds Up

Add them all up: UAW-CIO's dictatorial methods, its wage-leveling, its monopoly, and its incentive-killing G.A.W. scheme. What do you get? The first big step toward socialism, and a kind of union bossism that's hard for any self-respecting American to accept.

But don't get me wrong. I went to work when I was 17, and have carried a union card since the third day on the job. Man and boy, I've been a working man and a union man most of my life. Chances are, I'll be one till the day I die. More than that, that's what my father was before me.

Through the years I've seen the unions do a lot of good. But it's high time they began to clean house and get rid of their abuses. Like any other organization, unions have a responsibility—to their members and to all the other citizens — to help keep alive the principles of liberty and individualism, including personal initiative and self-reliance. It is these principles, which are now so much in danger, that have made us the freest and most prosperous people on the face of the earth.

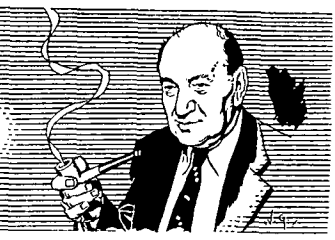
Free and Unequal

ALL MEN have an equal right to the free development of their faculties; they have an equal right to the impartial protection of the state; but it is not true, it is against all the laws of reason and equity, it is against the eternal nature of things, that the indolent man and the laborious man, the spendthrift and the economist, the imprudent and the wise, should obtain and enjoy an equal amount of goods.

VICTOR COUSIN, 1848

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As FRANK CHODOROV Sees It



THE SIN OF BEING "DATED"

JOHN STUART MILL, says Professor Russell Kirk in a recent article in the conservative *National Review,* is "dated." He was referring to the famous treatise *On Liberty.* The occasion for this dictum is the revival of interest in the treatise, by way of a couple of re-publications and the consequent appearance of critical articles.

When you say a literary work is "dated" you mean that either its ideas or the manner of their presentation are outmoded. In this case, the professor was referring to Mill's ideas, not his style, insisting that in the light of modern thought these were of little force or value. Since I was brought up on Mill, and always held that Mill was a pretty good thinker, I pulled down my copy of *On Liberty* and reread it, just to see whether I too am "dated."

Briefly, Mill held that a vigorous and healthy social order is one in which the individual is permitted to work out his destiny according to his capacity. (A few illustrative paragraphs from the treatise appear on pp. 53-56 in this issue of *The Freeman.*) Political and social restraints on the individual, said Mill, tend to retard his development, and if carried far enough will induce an inclination toward servitude. Society, which is a collective of individuals and takes its character from them, will deteriorate accordingly.

This line of thought still touches a responsive chord in me and, therefore, I presume I am "dated." And so is everybody else who is convinced that a good society will be achieved when people are free to do pretty much as they please, provided they do not please to step on one another's toes. If you call yourself a libertarian or an individualist, whether you ever read *On Liberty* or not, you are in Mill's camp.

The deficiency of being "dated" is shared by many ideas that are rooted in the past and, if modernity is the test of value, ought to be discarded. For instance, there is the Decalogue, authored some six thousand years ago according to the Jewish calendar. This is defi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nitely out of line with the "latest thing" in political science, which insists that it is quite proper and beneficial to steal from Peter and give to Paul. Very few up-to-the-minute professors maintain, with the Commandment, that private property enjoys divine sanction.

For another example of "dated" thought, I offer the Declaration of Independence. There may be a few philosophers in these nuclear times who accept the doctrine of inalienable rights, but the most forward-looking ones will tell you "there ain't no sech animule"; and if you call upon the Creator to bear witness for the doctrine, they will tell you condescendingly that you are woefully "dated."

So, the question whether Mill is "dated" resolves itself into another question: whether an idea has deteriorated in value simply because it contradicts "the latest thing." The new might be shinier, but is it intrinsically better?

As I said, the article appeared in a conservative journal — which brings up the question, just what is a conservative? I imagine that a conservative is one who wants to conserve something — maybe something that is "dated." At the time of Thomas Hobbes, in the seventeenth century, a conservative was one who did not want the "divine right" of kings to go out of fashion; in the nineteenth century, when Cobden and Bright were plugging for free trade, a conservative was for protectionism, and Prince Metternich was a conservative because he thought monarchism better than the republicanism then coming into vogue. But, what is a modern conservative? Some people who follow the libertarian line of thought are pleased to use it to describe themselves. But, now we find a conservative paper giving its blessing to a repudiation of John Stuart Mill, from whom libertarianism derives much of its thinking.

INTERNATIONAL WHEAT

AMERICA has no monopoly of the farm problem. Read "Wheat and World Trade" by Paul de Hevesy, in this issue, and you will see that every nation whose government undertakes to "help the farmer" is plagued with this problem. "Enlightened" governments everywhere are knee-deep in the business of succoring the "poor agriculturist," thereby making things worse for him and everybody else.

As this is written (on the birthday of George Washington who advised his fellow citizens against foreign entanglements) representatives of various nations, includ-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing our own, are assembled in Geneva debating whether or not to conclude a new International Wheat Agreement. They could readily solve this matter by dropping their respective interventions and allowing competition in the market to function as the equalizer of supply and demand. But the very fact that governments are assembled is evidence enough that controls will not be abandoned — not at the instigation of these controllers.

Meanwhile a group of atomic scientists, working under a grant from the government of the United States, are looking into the possibility of applying their discoveries to the improvement of agricultural production. Every agricultural school in the country, with subsidies from the government, is striving to increase the quantity and quality of the very commodities, the abundance of which — at fixed prices — constitutes an international headache.

All of this underlines the fact that whenever government undertakes to solve an economic problem, it simply creates other problems. This is because the laws of economics operate without regard to political "expediency."

As Nock observed in *Our Enemy the State*: "Every intervention by the State enables another, and this in turn another, and so on indefinitely; and the State stands ever ready and eager to make them, often on its own motion . . ."

ON AUTOMOBILES AND HOUSES

THE ECONOMIC year 1956 was ushered in on two sour notes: the building boom is showing signs of leakage, the sales of automobiles are dropping. The pundits have come up with the verdict that the country is "saturated" with houses and automobiles; the consumers of these products are surfeited, and production has to be slowed down accordingly.

Perhaps their analysis is correct. But one cannot be sure that "overproduction" has set in until one runs a bargain sale. And then one finds that what is called overproduction is really over-pricing. For, if the glut on the market disappears when prices are lowered you have proof enough that the desire for these commodities has not yet been satiated, that at the higher prices some people had to go without. So, before we can say for a certainty that everybody has more housing space or more automobiles than he wants, we must consider the possibility and the consequence of a drop in prices.

To a buyer, of course, the price

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of an item means its cost to him. A seller also thinks of the price in terms of what it costs him to produce the item. And one of his largest items of cost is wages, the price that labor asks for its contribution. A decision that too many houses and automobiles have been produced might well mean, then, that wage demands by construction and automotive workers have exceeded what the consumer is willing to pay.

Taxes are the second largest cost of production. The multitudinous exactions of the government — federal and local — on the builder and his suppliers must be passed on to the would-be home owner or user. Likewise with the automobile. So a decision that there are too many buildings and too many automobiles may be only the reflection that taxes are too high on those particular items.

Another possibility is that credit lines had been particularly overextended on homes and automobiles, and that the current lack of demand reflects a tightening of credit for such purchases.

Whatever the cause, whether overzealous union pressure, or excessive taxation, or credit management, all these are areas of government interference with a free market. And if a slump occurs in housing or automobiles, the government must bear the responsibility. Political leaders may well be concerned that these chickens of their meddling seem about to come home to roost.

SOCIALISM

As popularly construed	Governmental ownership and control of those means of production and distribution exterior to one's own special privileges; the socialization of any activities not yet socialized.
As defined by Webster	A political and economic theory of social organization based on collective or governmental ownership and democratic management of the essential means for the production and distribution of goods.
As defined by FEE	A conviction or belief that organized police force — government — should dictate the creative activities of citizens within a society by the ownership and/or control of the means of production and exchange.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Wheat and World Trade

Paul de Hevesy

THOUGH agriculture is the very foundation of all human activity, it constitutes only one part of man's economic life. It should therefore be brought into conformity with the general economic system. The question is whether this system should be based on the free decisions of private property owners, engaged in competitive enterprise, or on public ownership of the means of production and distribution and in consequence, on central planning and price-fixing.

The American farm policy, with its parity prices, its legally enforced restriction of acreage, and, as it is now proposed, its payment for crops not grown — that is, for acreage left fallow — does not provide a true solution. The evil results of this unprincipled policy are already manifest.

Though the farmers of Europe and of the United States are heavily subsidized, yet they bitterly complain that their incomes are steadily diminishing. Meanwhile, food prices are everywhere rising. Small wonder that the taxpayer complains that he must both provide for high agricultural subsidies and pay high food prices. Coming presidential elections in the United States will be contested on the agricultural issue. Other countries are confronted with similar problems.

An important element, not only in agriculture but in the general economy of the world, is the price of wheat; for it decisively influences the prices of other grains, which in turn influence those of meat and of many other foodstuffs, and these ultimately determine the agricultural price-level itself.

There are commodities, like oil and cotton, which enter into international trade in larger quantities than wheat; but none of them has so powerful an impact as wheat on general economic and social conditions.

The United States and Canada apprehensively harvested their grain crops of 1955, which were abundant at a time when the accumulated surpluses in North

---

Mr. Paul de Hevesy, economist and former member of the Wheat Advisory Committee, London, is the author of WORLD WHEAT PLANNING, *Oxford University Press*, 1940.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

America were larger than ever before. These surpluses would never have accumulated if planning governments had not interfered with free and open markets and maintained arbitrary prices.

Much of that governmental interference with respect to wheat marketing has been concentrated under the International Wheat Agreement. This is a kind of many-sided treaty between national governments representing net exporters and net importers of wheat. The theory was that these nations could fix a price that would please everyone. But in practice, if the fixed price is too high the importers will not accept delivery, and if too low the exporters will not deliver. And the result is that wheat is not moving under this controlled agreement.

THE MOST FORMIDABLE monopoly in the world is that of the principal wheat-exporting countries, which maintain artificially high prices for wheat and, through its effect on other farm prices, for all other foodstuffs.

The traditional exporting countries now hold surplus wheat in store corresponding to two years import requirements of the whole world. And traditional wheat importing countries still prefer, in spite of their high costs of production, to grow as much wheat as they can. Productive resources are thus being devoted to wheat production, which might be better utilized for other purposes.

The present world wheat situation affords a striking proof of the impotence of the Agreement, from which the United Kingdom wisely holds aloof. It is to be hoped that its government will, as a matter of principle, stand firm against all pressure to accede to the Agreement which expires in July 1956.

If the Americans were not to interfere with farm prices — if they were to allow the varying pressure of supply and demand to effect the reciprocal adjustment of prices — food throughout the world would in all probability become less expensive than it now is. Nobody would be so ungrateful as to impugn the incomparable generosity of the United States; but a sound American agricultural policy would be of greater value to the world than all their loans and gifts.

Since the United Kingdom does not export foodstuffs, its agricultural policy has little influence on world food prices; but the competitive position of its industry would be improved if it were to buy all its food from the cheapest source. Moreover, the economic policies of the United Kingdom and the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

United States are closely watched and are often imitated by other countries.

In the United Kingdom there are about one million acres where the composition of the soil and the incidence of the rainfall are such that wheat of fairly good quality can be grown at a competitive cost. But the present policy of sowing wheat on two million acres makes it impossible to establish a price satisfactory alike for the farmer and the consumer. The price for millable wheat received by the British farmer averages at present about $2.25 a bushel for wheat which is being sold to the millers at $1.57 a bushel. A subsidy of 68¢ a bushel has to be met out of the pocket of the British taxpayer.

Meanwhile, United States taxpayers are subsidizing wheat exports at a rate varying between 44¢ and 70¢ a bushel, and are paying a storage bill of $1,000,000 a day on wheat and other farm products arbitrarily withheld from the channels of trade.

Suppose that the total world requirement could be satisfied with wheat costing not more than say, $1.40 a bushel to produce. In this case, if economic freedom prevails, most individual farmers, wherever they may farm, whose cost of production is higher than $1.40, would go out of wheat-production — in any case, out of wheat export. Quality and distance also would have some effect on prices; but the average world wheat price could then be neither much lower nor much higher than $1.40 a bushel.

THE ENEMIES of economic freedom contend that the prices of farm products, if not fixed, are subject to violent fluctuations. But there is no reason to assume that, if economic freedom were to prevail, either world demand or world supply in the principal farm products would vary much from year to year. Consequently, the prices of these products would not vary much either.

It should be borne in mind that the average world yield per acre of those crops which are grown in all parts of the world hardly varies, and that, in consequence, their total volume almost entirely depends on their total acreage. The smaller the territory investigated, the larger the variations in yield; the larger the territory investigated, the smaller the variations in yield.

The problem of wheat, and indeed of all major world crops, can be solved internationally on the basis of world-wide free trade. Market forces on the one hand and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

modern transport on the other could succeed in distributing all products throughout the world, especially if the poorer countries, thanks to a more liberal policy in international trade and investments, will take the opportunity of exporting their own products and thus of acquiring the purchasing power necessary to import foodstuffs and other goods from abroad.

If excess or scarcity is to be avoided and prices are to be neither too high nor too low, nothing but supply and demand should regulate production and prices. If this policy is to succeed, it will be necessary that governments refrain from blocking the channels of national and international competition.

IN THE LONG RUN, the choice must be made between economic competition and dictation. There can be no doubt which of the two systems would lead to a better future for mankind. But if the competitive system — in other words, private capitalism — is to prevail, the relations of all prices of all commodities to each other, demonstrating the impact of peaceful competitive forces, must be left to operate without restraint. These price relations are far too important to be left to the whims of sectional interest or even of national governments. They should depend on the voluntary market decisions of all consumers and all producers of all commodities throughout the world.

Who — individual committee, or government — would dare to suggest that he or they can judge better than the totality of producers and consumers what can and should be produced? And who would dare to judge not only what the people wish to consume, but also the measure of sacrifice that they are willing and able to make for acquiring some of these commodities in preference to others?

Those who, by subsidizing single groups of producers, throw the quantitative and qualitative production of goods out of balance and keep it so; those who, aided by tariffs and import licenses, discriminate against goods according to their origin; those who, desirous of protecting their home producers, resort to the discreditable expedient of raising tariffs and import quotas, thus weakening the urge to greater efficiency as a means of lower prices; those who reject the cheapest tenders on the mere ground that they are submitted by foreign contractors; those who impede the movement of capital and labor; and those who, protected by international com-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

modity agreements, maintain prices above or below their economic level and force supplies into artificial channels, thus preventing the consumer from buying in the cheapest markets — all are responsible for dearness in general and for dear food in particular.

THE CONTROL of prices of agricultural products, and indeed of any product, is not only harmful in its quantitative effects, but also inconsistent with the peacetime activities of democratic nations. For the free and open market provides an international exchange with unlimited potentialities for human progress. Prices thus maintained, raised, or lowered regulate both production and consumption. Free and open market prices express individual preferences — in sharp contrast to the controlled production and distribution of the dictatorial system.

Survival of the capitalist system depends on vigorous competition both in production and in marketing; for this is the only way to produce goods of the highest qualities at the lowest costs and to sell them at the lowest prices.

This policy can be fulfilled only by promoting a free world market, convertible currencies, the suppression of monopolies, and the conduct of all trade by independent merchants whose experience and competence present a reassuring contrast to the ineptitude of public functionaries unwisely vested with mercantile powers.

1880 Henry Louis Mencken 1956

Author, Editor

THE AVERAGE MAN, whatever his errors otherwise, at least sees clearly that government is something lying outside him and outside the generality of his fellow men — that it is a separate, independent and often hostile power, only partly under his control, and capable of doing him great harm. In his romantic moments, he may think of it as a benevolent father or even as a sort of *jinn* or god, but he never thinks of it as part of himself. In time of trouble he looks to it to perform miracles for his benefit; at other times he sees it as an enemy with which he must do constant battle.

From *A Mencken Chrestomathy*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ponzi Was a Piker

Dean Clarence E. Manion

LATECOMERS to this troubled world will not remember Charles Ponzi, who stole (among other things) a great portion of the nation's headlines back in 1920.

Ponzi claimed he could double anybody's money in 90 days. Furthermore, he apparently did so. Thousands of his customers received this rich pay-off and told a hundred thousand others about their good fortune. Millions upon millions of dollars poured in upon Ponzi from eager investors during the first six months of 1920. The fabulous returns came back as promised, often ahead of schedule.

Then in August of 1920, the federal authorities moved in on this financial wizard. They closed his Boston bank and thus cut off his cash. The next day Ponzi was arrested for using the mails to defraud. He stoutly maintained that he had paid everybody; that if left alone he would continue to do so.

But the federal government wouldn't leave Ponzi alone. It cut off his intake and outgo. Ponzi was through. Three months later he pleaded guilty. After serving eleven years of his long sentence, he was deported to his native Italy.

Ironically, Ponzi was hardly out of the country before the same federal government that had imprisoned him for fraud proceeded to adopt the Ponzi "get rich easy" scheme as its very own. Ponzi had represented his financial jackpot as a "securities exchange." The federal government proceeded to call it "Social Security."

The federal government was able to add some important features to this bizarre shell-game that were unavailable to Ponzi. First of all, the federal government cannot be prosecuted for fraud. But more important than that is the exclusive governmental feature of compulsory participation.

Ponzi had to induce his customers to come in voluntarily; whereas, the government now *forces* 65 million workers to "invest" six billion dollars a year in its glorified version of the Ponzi scheme.

Dr. Manion, formerly Dean of the Law School of Notre Dame, now practices law in South Bend, Indiana.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ponzi paid back at the annual rate of sixteen to one. The federal government does even better. Some of its very lucky participants are now drawing back at the rate of $100 for every dollar invested.

How is this miracle worked? Here is what the Court said in the Ponzi bankruptcy cases: "Ponzi's scheme was the old fraud of paying the early comers out of the contributions of later comers." (In re Ponzi 280 Fed. Rep. 193.) "That Mr. Ponzi took advantage of a weakness and willingness of the community to be victimized is apparent. . . . So long as the current of money continued to flow in, he could pay the first investors with receipts from the latter. It was another instance of robbing Peter to pay Paul, of which the past affords examples." (In re Ponzi 268 Fed. 997.)

The Court did not know that the future government Social Security scheme was to provide the most striking example of all. The Chief Actuary of the Social Security system now says of it: "The system is not fully funded in the sense that all benefit rights earned to date could be met by the existing assets if the program were to be liquidated, but the system is more or less self-supporting *on the assumption that it continues indefinitely into the future with the compulsory coverage that exists by legislation.*"

In other words, the official assumption is that there will always be more Peters to be robbed than there are Pauls presently to be paid. In fact, the susceptible Peters will be so numerous and will be robbed at such high rates of return that the Pauls can all be paid, with billions left over each year for the Israelis, the Egyptians, the British, and the French. This is now the official theory of the same government that put Charles Ponzi in jail for fraud.

Reprinted, by permission, from the Manion Forum of Opinion Broadcast, February 5, 1956.

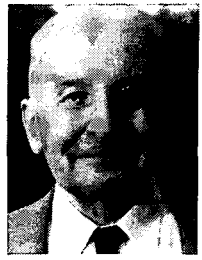
Security of Self

The only security any person can have lies within himself. Unless he is free to act as an individual, free to be productive in his own behalf, free to determine what part of that production he will consume now and what part he will save, and free to protect his savings, there is no chance that he can find security anywhere.

PAUL L. POIROT, *The Pension Idea*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Festschrift for Doctor Mises



Bettina Bien

A MILESTONE in the world of libertarian literature has just been passed. This event was the publication of a collection of essays, a *Festschrift* in tribute to Ludwig von Mises. Some of the world's most renowned economists and leading liberal thinkers contributed to this volume, *On Freedom and Free Enterprise,** edited by Mary Sennholz. Libertarians should be cheered that there are in the world many serious men — scientists and philosophers — who advocate the free market and who warn against the threat to liberty in all government intervention.

This book commemorates the fiftieth anniversary of the date on which Ludwig von Mises received his doctorate at the University of Vienna. The years since then have been busy ones for him. He has gained a world-wide reputation as an uncompromising advocate of the free market. He has lectured in at least ten different countries and written numerous books and articles, which have been translated into many languages. Professor F. A. Hayek, his former student, has written: "But his [Mises'] influence reached far beyond his personal circle. For he alone has given us a conclusive treatment of all economic and social thought."

The editor deserves credit, first of all, for her initiative in honoring Doctor Mises, and secondly, for her tireless effort in preparing the material submitted in four different languages, by nineteen individualistic authors, from six different countries, for publication in English. She also contributed a short biography of Doctor Mises.

The essays, grouped under six general headings, carry a unifying thread traceable to the philosophy which Doctor Mises has done

*New York: D. Van Nostrand. xiv:333 pp. $3.50. Copies also are available through the Foundation for Economic Education, Irvington-on-Hudson, N. Y.

Miss Bien is a member of the staff of the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

so much to develop. They contain many thought-provoking ideas.

PART ONE, *Grato Animo Beneficiique Memores,* contains essays in tribute to Doctor Mises and his works. Jacques Rueff, a French professor and public servant, commends Mises for "the imperturbable intransigence of his lucid thinking." William E. Rappard finds in his country, Switzerland, what he considers an exception to the laws of human action as described by Mises. Nevertheless, he acclaims "the revered dean of twentieth-century liberals . . . . the most outspoken and least compromising advocate of a complete policy of pure *laissez-faire* in the world today." Reviews by Henry Hazlitt of two of Mises' most important books — *Socialism* and *Human Action* — are also reprinted in this section.

Included in Part Two, *On the Nature of Man and Government,* there is another contribution by Mr. Hazlitt. In this essay, "The Road to Totalitarianism," he reminds the reader that the inevitable end-product of centralization is "total control over what people do, say, and think." The French economist and journalist, Bertrand de Jouvenel, in his essay, "Order vs. Organization," explains why men who understand little about the science of human action so often believe governments should instigate "order" by force. "Men have a tidiness-preference .... It takes no great psychological acumen to observe that we enjoy passing judgments on matters of which we know very little." In an essay, "On Democracy," Hans F. Sennholz contrasts the totalitarian "People's Democracies" with the "Western Democracies." "To defend capitalism we must demonstrate the advantages of freedom and free enterprise to the people." In "The Greatest Economic Charity," F. A. Harper of this Foundation's staff defines true charity and concludes: "He who would serve his fellow men by charity can best do so by saving and investing in tools."

PART THREE includes five studies *On Scientific Method,* a phase of Mises' work which truly deserves the serious attention of economists. The authors include a German (Wilhelm Röpke), Spanish-born Mexican (Faustino Ballvé), an Italian (Carlo Antoni), and two professors of this country, Louis M. Spadaro and Austrian-born Fritz Machlup. Röpke calls the market economy "an institution which goes . . . far in translating subjective feelings into objective actions," but he warns lest this "lure the unwary into pushing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

forward unduly the frontier that delimits the border territory, the zone between what is human and what is mechanical." Ballvé points out that "economics is neither pursuit of wealth, nor the production or distribution of commodities and services, nor their consumption. These are results . . . . These actions only concern economics when they originate from the autonomous action of man exercising his elective faculty in the market." Antoni contrasts historical knowledge, i.e., "individual facts," with economics. "An economic law classifies the situation, renders it typical, and thus abstracts . . . . in order . . . to deduce the subsequent action of the economic factor, i.e., individual interest." Spadaro discusses "Averages and Aggregates in Economics," explaining that "to the extent that economic action is ultimately dependent for explanation on individual differences, the employment of averages puts us out of reach of such explanation simply by understating these differences . . . . the distortion brought into play by the use of averages cannot, ironically, itself be 'averaged out.'" Machlup criticizes those "social scientists" who are "apparently ashamed of the one thing that really distinguishes social sciences from natural sciences, namely, the fact that *the student of human action is himself an acting human being . . . .*"

PART FOUR concerns *The Economics of Free Enterprise.* L. M. Lachmann, a German-born professor now living in South Africa, discusses "The Market Economy and the Distribution of Wealth," pointing out that "wealth . . . . passes from hand to hand as unforeseen change confers value now on this, now on that specific resource, engendering capital gains and losses." Leonard E. Read, FEE's president, calls attention in his essay, "Unearned Riches," to the logical consequence of the "subjective theory of value based upon the judgments of countless individuals . . . . This means gains for all participants in the exchange process, gains which must always appear to be unearned in terms of labor expended." W. H. Hutt, an Englishman, now a professor of economics in South Africa, reviews the literature on his topic, "The Yield from Money Held," and concludes that "the demand for money assets is a demand for *productive resources.*" William H. Peterson, an associate professor at New York University, in "The Accelerator and Say's Law," writes that if Keynes had been right, "we should witness the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

overnight industrialization of India." Murray N. Rothbard, in pointing "Toward a Reconstruction of Utility and Welfare Economics," stresses that "psychological magnitudes cannot be measured since there is no objectively extensive unit — a necessary requisite of measurement.... We can only say that 'social welfare' (or better, 'social utility') has *increased* due to a change, if no individual is worse off because of the change (and at least one is better off)."

PART FIVE deals with *The Hampered Market Economy*. F. A. Hayek, in his "Progressive Taxation Reconsidered," comments, "Not only will services which before taxation receive the same reward leave very different net rewards to those who rendered them; a much larger payment for one service may indeed leave less to him who rendered it than a smaller payment to another person .... [Thus] progressive taxation inevitably offends against what seems to me the most basic principle of economic justice, that of 'equal pay for equal work.'" Percy L. Greaves, Jr., asks, "Is Further Intervention a Cure for Prior Intervention?" as he analyzes the so-called "right-to-work" laws. Behind such laws is "the philosophy that production is a form of 'class warfare' between employers and employees .... the agitators for 'right-to-work' laws forget ... that the problem is basically one of getting the government out of moral business transactions and not into them .... The economic answer is to repeal the bad intervention and not try to counterbalance it with another bad intervention."

THE LAST section, *On Socialism*, contains a single essay entitled "French Socialism," by a Belgian-born Frenchman. Louis Baudin describes the confusion among his countrymen who call themselves "socialists." "Thus socialism is nothing more than a label affixed to a flask whose contents vary according to the whim of the shopkeeper....its greatest strength is its vagueness: everybody believes what he wants to, adding to it some of his own ideals."

Perhaps it is fitting to close by quoting the words of one of the contributors to this volume — a book published in tribute to a great scientist:

> Professor Mises' main renown is as an economist. Yet to me he is a charitable person even more than an economist. His charity is .... in the form of his inspiring mind and spirit. In my opinion there can be no greater charity than this, for it endures beyond any material form of benevolence. (F. A. Harper)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A Call to Liberalism

David Lawrence

LIBERALISM has been undergoing a steady erosion. The so-called "liberalism" of today is a philosophy of coercionism in conflict with the spirit and letter of the Constitution. It is not true liberalism.

Time was when liberalism meant freedom from excessive government — freedom from encroachment upon the rights of the people.

Time was when the Tenth Amendment to the Constitution was as sacred as any other provision of the Bill of Rights about which we hear so much from today's "liberals." This Amendment says:

> The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

CONTROL of education, of course, was one of the powers reserved to the states and to the people. No power of the federal judiciary has until recently been exercised to set forth standards of education or to examine and rule upon the psychological influences that may or may not prevail in the classroom.

Today the Supreme Court has proclaimed that the federal judiciary has the right to determine who shall or shall not attend public schools. This disregards the wishes of the states as expressed in their laws and respective constitutions. It is a short step now to the selection of teachers and to the designation of a curriculum by federal authority.

Today's "liberal" acquiesces in this usurpation of federal power.

Control of employment has hitherto been a right reserved to the people — the right of the individual to work or to refrain from working, and the right of the employer to hire or to refrain from hiring. Neither the states nor the federal government were ever given the right to interfere with the freedom of individuals to contract for goods or services.

The federal government, under the Wagner Act and the Taft-Hartley Act, has undertaken to

---

Mr. David Lawrence is Editor of U. S. News & World Report.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

supervise the operation of labor unions and management where the employer-employee relationship is involved. No such power was ever delegated to government, federal or state, by the Constitution. It is plain usurpation.

Today the "liberal" enthusiastically champions these enlargements of governmental authority over the people.

Discrimination in economic opportunity because of race or creed or color is a shameful thing anywhere — but nothing in the Constitution grants the federal government or the states the power to punish employers or union officials who practice such discrimination. If the people want to abolish discrimination — economic or social — and desire to legislate morals, why not let the people adopt a constitutional provision to accomplish such a purpose? The Eighteenth Amendment legislated on morals, but at least it was written into and taken out of the Constitution by the methods specified in the Constitution itself.

Today, without the slightest shred of constitutional power, a presidential commission coerces employers by threatening to deprive them of their right to contract with the federal government unless they obey its decrees on who shall or shall not be employed. This is a usurpation of power.

GRANTED that these objectives are desirable, shall they be achieved by usurpation? Do we really believe any more in that clause of the Constitution which prescribes the proper way to amend the Constitution, or do we believe that nine Justices may rewrite the Constitution as they please?

It was Thomas Jefferson, the greatest of the true liberals of America, who first inveighed against the power of the judiciary to emasculate the Constitution. He complained that the judges could make the Constitution "a mere thing of wax" which they "may twist and shape into any form they please."

It was Thomas Jefferson who first protested against the centralized state.

Today's "liberal" believes in the mastery of the State. He wants the government to own public-power enterprises and believes that the federal government is authorized to own or control every line of business.

True liberalism must be revived in America. It means a government of laws under a written Constitution — not a government by the caprice of men who temporarily hold public office.

True liberalism is today being

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ignored by so-called "liberals" who by their tactics are involuntarily enlarging the forces of reaction and stimulating extremist groups of the "right" which are as unprincipled as those of the "left."

There is only one course for the true liberal — to oppose the ideology of those who, in the name of emergency, expediency, convenience, or profit, would forsake both the letter and the spirit of the Constitution.

For it is the written Constitution — the whole of it and not just a few selected provisions — which we as citizens take an oath of allegiance "to preserve, protect, and defend."

Reprinted from *U. S. News & World Report*, an independent weekly news magazine published at Washington, D. C. Copyright 1956, United States News Publishing Corporation.

An important new book for your library . . .

THE CONSTITUTION OF THE UNITED STATES

Its Origins, Principles, Problems

by JAMES MUSSATTI

with Study Guide by Thomas J. Shelly

HERE is the newest book on our national charter — valuable and unique because written from the viewpoint of the Constitution-framers themselves: the perspective of individual rights preserved under strictly limited government.

James Mussatti, former instructor in history at the University of Southern California, presents an incisive, clear-cut statement of the basic principles of Constitutional government — how they evolved and how they have been misinterpreted.

Complete with a detailed and provocative Study Guide by veteran school teacher and FEE Staff Member, Thomas J. Shelly. Especially valuable for Constitution Study Groups. 173 pages. $2.00 paperbound, $3.50 clothbound, quantity prices on request. Published by D. Van Nostrand Company.

Foundation for Economic Education
Irvington-on-Hudson, New York

Please send me ..... copies of *The Constitution of the United States.*

☐ $3.50 clothbound
☐ $2.00 paperbacked

Amount enclosed $.....

Name .....
please print

Street .....

City..... State.....
zone

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Why Wages Rise:

2. PRODUCTIVITY

F. A. Harper

EDITOR'S NOTE: In the first article of this series (March 1956 issue) it was shown that unions have no perceptible influence on national wage rates, if we may judge from changes in union membership and wage rates over the last century. What, then, is the cause? This article begins the positive explanation.

AN EMPLOYEE of General Motors is likely to wonder at times why his pay can't be raised. "Even if it were doubled or trebled," he may complain to his wife, "it would never be felt by GM."

True enough. During 1955 the average pay of an employee of GM was $5,011. Yet GM's profits for the year were $1,189,477,082 (or $3,751,477,082 before any ascertainable taxes) on a total business of $12,443,277,420. It can be seen at a glance that doubling the pay of this employee would be no more noticeable in the whole enterprise than would be the adding of another automobile to those now owned in the State of Michigan.

Doubling the pay of all GM employees, however, would be quite a different story. It would eat up *in one year* more than the total value of the firm's real estate, plants, and equipment.

I am not concerned here with GM's wage problem as such. I do not know whether their present wage scale is too low, too high, or just right. The only present purpose of these figures is to illustrate the difference between a narrow view and a broad view of the wage problem.

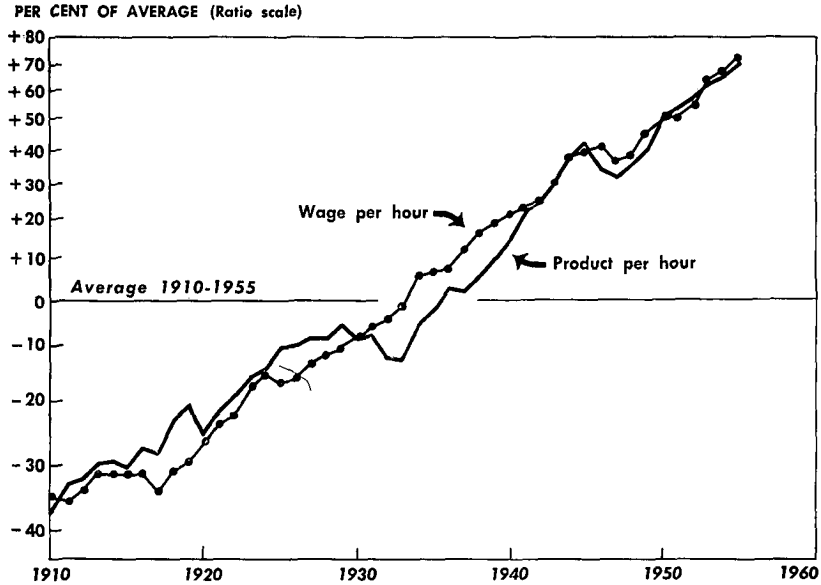
An automobile is the sum of many simple parts working together in simple ways. In like manner a complex economic problem is composed of simple elements which can best be seen by looking under the hood, so to speak.

In trying to see what makes wages rise, let's consider first a lone pioneer instead of a single employee of GM. He is producing things entirely for his own use. What he produces — potatoes, etc. — is his wage. He needs no Ph.D. in economics to know that he can consume only what he has produced, and no more. The only way he could double his wage would be to produce twice as much. He

Dr. Harper is a member of the staff of the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CHANGES IN PRODUCTIVITY AND WAGE RATES — UNITED STATES



NOTE: This chart is designed so that a constant percentage increase would appear as a straight line. The values of product and wages are both expressed in dollars of constant buying power. The data for product are for the private sector, and are from the series by John W. Kendrick in his paper, "National Productivity and Its Long-Term Projection" (National Bureau of Economic Research, May 1951), brought up to date by the National Industrial Conference Board. For the data on wage rates, see THE FREEMAN, March 1956, pages 42-45.

couldn't raise his wage by as much as one per cent except by producing more. This is like saying that 1 = 1.

Now if a neighbor moves in, the two pioneers might trade with each other some of what each produces — let us say in equal amounts. The same rule would still hold true. Together they could consume only what they have produced. Or we might say that 1 + 1 = 2.

As the society increases, eventually reaching a laboring force of 63 million, the same would still be true.

Not all persons in a nation's economy, of course, produce the same things. Nor do they produce the same amounts. Furthermore, some work alone and others work

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in groups as in a corporation. It has been estimated, for instance, that there are nine million different business enterprises or farms in the United States, and some eight million different commodity items or services in which they deal.

Estimates have even been attempted of the total amount of production for all these producers, added together in terms of dollars of presumed worth. For 1955 the total estimated figure was $322 billion. Goods and services were added together, roughly, on the basis of consumers' appraisals of their worth in relation to one another. I can't vouch for the accuracy of any such total figure. In fact, the task seems impossible for more than one reason. But even so, this much can be said about it: Whatever the right figure may have been, the only way to have doubled it as such (in stable dollars) would have been to have produced twice as much. There is no way by which arbitrary action or edict could have raised it by as much as one per cent, unless it had somehow increased production.

No more need be said about productivity and its importance in the question of what makes wages rise. The simple principle involved, for one person or for 63 million persons in an exchange economy, is that consumption cannot be more than production.

SOME WANT to know, however, whether the facts on wage rates square with this theory. Has the history of the United States borne this out?

Some estimates of the value of output per hour for the private sector of the national economy have been made available, giving us a basis for comparing productivity with wage rates since 1910 (see chart). The relationship is close, except in a few instances.

From 1930 to 1933 real wages ran considerably ahead of productivity — or more accurately, wages continued their upward trend despite falling productivity. But a readjustment soon got under way, and the seemingly excess wage rate was completely corrected by 1941. On the other hand, wages seemed to fail to share fully the increases in productivity from 1916 to 1919, and again in the middle twenties.

If our theory is sound, one may wonder why any divergence at all between the two occurred. One reason might be errors in the data, of course. Another is that the two are not precisely different expressions of the same thing, as are "production" and "product wage" for a lone pioneer. Not all our na-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional product goes for wage payments. Roughly, about two-thirds of it goes for wages and salaries, with the remainder divided about equally between (1) pay for current effort by those who are self employed, and (2) payment for the use of savings that have been invested in tools and equipment.

But the matter of dividing available goods and services into pay for current work as distinguished from pay for savings from past work is another subject, to be discussed subsequently. Present concern is with the relationship between wages and productivity. The correspondence is close, as it must be, because wages must come from production and can rise on a sustained basis only from increased productivity.

By the Bootstraps

THE RATE OF WAGES paid by employers is fixed automatically, and to all intents cannot be materially altered by any arbitrary action of either the employer or the employed. To many it will seem a paradox that neither the hard-fisted nor the philanthropic employer, neither the militant laborer nor the meek, has any material influence upon the average real wage paid and received. Or that strikes and lockouts are rarely of the slightest avail. Almost always an enormous loss. They may at times correct inequalities between different industries; but they can never affect the real wage for the country as a whole. . . .

In the long run, this [increased product per worker] is the sole way in which there can be any increase in wages in the country as a whole. It is easy to say that higher wages raise "buying power" and therefore increase consumption. But this is as absurd as to think one can lift one's self by his boot straps. If wages were increased all around, this would raise all costs of production, and so the price of everything that workingmen buy; there would be no increase in real wages. . . .

All this seems scarcely to need reiteration. Nevertheless, it is amazing to find that many believe that by some kind of hocus-pocus higher wages could be paid and consumption thereby increased.

CARL SNYDER, *Capitalism the Creator*
The Macmillan Company, 1940

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE DEBATE between the National Council of the Churches of Christ and its erstwhile National Lay Committee brings once more into focus a fault that may well lie at the root of numerous troubles, secular as well as religious. This church argument, for instance, concerns the propriety of the National Council's speaking for 35,800,000 Protestants on social, political, and economic matters. The hierarchy of the National Council argues affirmatively, the Lay Committee negatively.[1]

The practice of committees, boards, or councils presuming to represent the views of vast constituencies goes on in labor unions, chambers of commerce, trade as well as educational associations, indeed in nearly all segments of society.

On That Day Began Lies deals with the dangers of "thinking by proxy." This is a briefing of the essay done in 1949, a copy of which will be sent on request.

On That Day Began Lies

Leonard E. Read

> From the day when the first members of councils placed exterior authority higher than interior, that is to say, recognized the decisions of men united in councils as more important and more sacred than reason and conscience; on that day began lies that caused the loss of millions of human beings and which continue their unhappy work to the present day.
>
> LEO TOLSTOY[2]

THIS IS a striking statement. Is it possible that there is something of a wholly destructive nature which has its source in council, or in group, or in committee-type action? Can this sort of thing generate lies that actually cause the loss of "millions of human beings"?

Any reasonable clue to the unhappy state of our affairs merits investigation. Two world wars that settled nothing except adding to the difficulties of avoiding even worse ones; men lacking in good character rising to positions of power over millions of other men; freedom to produce, to trade, to travel, disappearing from the earth; everywhere the fretful talk

[1] *U. S. News and World Report*, February 3, 1956, pp. 43-46.

[2] Tolstoy, Leo. *The Law of Love and the Law of Violence*. New York: Rudolph Field, 1948. p. 26.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of security as insecurity daily becomes more evident; suggested solutions to problems made of the stuff that gave rise to the problems; the tragic spectacle, even here in America, of any one of many union leaders being able, at will, to control a strategic part of the complex exchange machinery on which the livelihood of all depends; these and other perplexities of import combine to raise a tumultuous "why," and to hasten the search for answers.

Strange how wide and varied the search, as though we intuitively knew the cause to lie in some elusive, hidden, unnoticed error; thousands of not too well tutored folks trying to find light in Toynbee's difficult and erudite *A Study of History*, other thousands desperately groping through du Nouy's *Human Destiny*.

Yes, the search is on for the errors and their answers. The affair is serious. The stake is life itself. And the error or errors, it is agreed at least by the serious-minded, may well be found deep in the thoughts and behaviors of men, even of well-intentioned men. Anyway, everything and everyone is suspect. And, why not? When there is known to be a culprit and the culprit is not known, what other scientifically sound procedure is there?

". . . on that day began lies . . ." That is something to think about. Obviously, if everything said or written were lies, then truth or right principles would be unknown. Subtract all knowledge of right principles, and there would not be even chaos among men. Quite likely there would be no men at all.

If half of everything said or written were lies . . .

HUMAN LIFE is dependent not only on the knowledge of right principles but dependent, also, on actions in accordance with right principles. However, the nearest that any person can get to right principles — truth — is that which his highest personal judgment dictates as right. Beyond that one cannot go or achieve. *Truth, then, as nearly as any individual can express it, is in strict confidence with this inner, personal dictate of rightness.*

The accurate representation of this inner, personal dictate is intellectual integrity. It is the expressing, living, acting of such truth as any given person possesses. Inaccurate representation of what one believes to be right is untruth. It is a lie.

Attaining knowledge of right principles is an infinite process. It is a development to be pursued but

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

never completed. Intellectual integrity, the accurate reflection of highest personal judgment, on the other hand, is within the reach of all. Thus, the best we can do with ourselves is to represent ourselves at our best. To do otherwise is to tell a lie. To tell lies is to destroy such truth as is known. To deny truth is to destroy ourselves.

It would seem to follow, then, that if we could isolate any one or numerous origins of lies we might put the spotlight on the genesis of our troublous times. This is why it seems appropriate to accept Tolstoy's statement as a hypothesis and examine into the idea that lies begin with "decisions of men united in councils as more important and more sacred than reason and conscience." For, certainly, today, much of the decision that guides national and world policy springs from "men united in councils."

In what manner, then, do "the decisions of men united in councils" tend to initiate lies? Experience with these arrangements suggests that there are several ways.

THE FIRST has to do with a strange and what in most instances must be an unconscious behavior of men in association. Consider the mob. It is a loose-type association. The mob will tar and feather, burn at the stake, string up by the neck, and otherwise murder. But dissect this association, pull it apart, investigate its individual components. Each person, very often, is a God-fearing, home-loving, wouldn't-kill-a-fly type of individual.

What happens, then? What makes persons in a mob behave as they do? What accounts for the distinction between these persons acting as responsible individuals and acting in association?

Perhaps it is this: These persons, when in mob association, and maybe at the instigation of a demented leader, remove the self-disciplines which guide them in individual action; thus the evil that is in each person is released, for there is some evil in all of us. In this situation, no one of the mobsters consciously assumes the *personal* guilt for what is thought to be a collective act but, instead, puts the onus of it on an abstraction which, without persons, is what the mob is.

There may be the appearance of unfairness in relating mob association to association in general. In all but one respect, yes. But in one respect there is a striking similarity.

Persons advocate proposals in association that they would in no circumstance practice in individual action. Honest men, by any of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the common standards of honesty, will, in a board or a committee, sponsor, for instance, legal thievery — that is, they will urge the use of the political means to exact the fruits of the labor of others to benefit themselves, their group, or their community.

These leaders, for they have been elected or appointed to a board or a committee, do not think of themselves as having sponsored legal thievery. They think of the board, the committee, the council, or the association as having taken the action. The onus of the act, to their way of thinking, is put on an abstraction which is what a board or an association is without persons.

Imagine this: Joe Doakes passed away and floated up to the Pearly Gates. He pounded on the Gates and St. Peter appeared.

"Who are you, may I ask?"

"My name is Joe Doakes, sir."

"Where are you from?"

"I am from Updale, U. S. A."

"Why are you here?"

"I plead admittance."

St. Peter scanned his scroll and said, "Yes, Joe, you are on my list. Sorry I can't let you in. You stole money from others, including widows and orphans."

"Mr. St. Peter, I had the reputation of being an honest man. What do you mean, I stole money from widows and orphans?"

"Joe, you were a member, a financial supporter, and once on the Board of Directors of The Updale Do-Good Association. It advocated a municipal golf course in Updale which took money from widows and orphans in order to benefit you and a hundred other golfers."

"Mr. St. Peter, that was The Updale Do-Good Association that took that action, not your humble applicant, Joe Doakes."

St. Peter scanned his scroll again, slowly raised his head, and said somewhat sadly, "Joe, The Updale Do-Good Association is not on my list, nor any foundation, nor any chamber of commerce, nor any trade association, nor any labor union, nor any P.T.A., nor any church. All I have listed here are persons, *just persons.*"

It ought to be obvious that we as individuals stand responsible for our actions regardless of any wishes to the contrary, or irrespective of the devices we try to arrange to avoid personal responsibility. Actions of the group character heretofore referred to are lies, for in no sense are they accurate responses to the highest judgments of the individuals concerned.

THE SECOND WAY that lies are initiated by "the decisions of men united in councils" inheres in com-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

monly accepted committee practices. For example, a committee of three has been assigned the task of preparing a report on what should be done about rent control. The first member is devoted to the welfare-state idea and believes that rents should forever be controlled by governmental fiat. The second member is a devotee of the voluntary society, free market economy, and a government of strictly limited powers and, therefore, believes that rent control should be abolished forthwith. The third member believes rent controls to be bad but thinks that the decontrol should be effected gradually, over a period of years.

This not uncommon situation is composed of men honestly holding three irreconcilable beliefs. Yet, a report is expected and under the customary committee theory and practice is usually forthcoming. What to do? Why not hit upon something that is not too disagreeable to any one of the three? For instance, why not bring in a report recommending that landlords be permitted by government to increase rents in an amount not to exceed 15%? Agreed!

In this hypothetical but common instance the recommendation is a fabrication, pure and simple. Truth, as understood by any one of the three, has no spokesman. By any reasonable definition a lie has been told.

Another example. Three men having no preconceived ideas are appointed to bring in a report. What will they agree to? Only that which they are willing to say in concert which, logically, can be only the lowest common-denominator opinion of the majority! The lowest common-denominator opinion of two persons cannot be an accurate reflection of the highest judgment of each of the two. The lowest common-denominator opinion of a set of men is at variance with truth as here defined. Again, it is a fabrication. Truth has no spokesman. A lie has been told.

These examples (numberless variations could be cited) suggest only the nature of the lie in embryo. It is interesting to see what becomes of it.

Not all bodies called committees are true committees, a phase of the discussion that will be dealt with later. However, the true committee, the arrangement which calls for resolution in accordance with what a majority of the members are willing to say in concert, is but the instigator of fabrications yet more pronounced. The committee, for the most part, presupposes another larger body to which it makes recommendations.

These larger bodies have a vast,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

almost an all-inclusive, range in present-day American life: the neighborhood development associations; the small town and big city chambers of commerce; the regional and national trade associations; the P.T.A.'s; labor unions organized vertically to encompass crafts and horizontally to embrace industries; farmers' granges and co-ops; medical and other kinds of professional societies; ward, precinct, county, state, and national organizations of political parties; government councils from the local police department board to the Congress of the United States; the United Nations; thousands and tens of thousands of them, every citizen embraced by several of them and millions of citizens embraced by scores of them; most of them resoluting as groups, as "men united in councils."

These associational arrangements divide quite naturally into two broad classes: (1) those that are of the voluntary type, the kind to which we pay dues if we want to, and (2) those that are a part of government, the kind to which we pay taxes whether we want to or not. For the purposes of this critique, emphasis will be placed on the voluntary type.

Now, it is not true, nor is it here pretended, that every associational resolution originates in distortions of personal conceptions of what is right. But any one of the millions of citizens who participates in these associations has, by experience, learned how extensive these fabrications are. As a matter of fact, there has developed a rather large acceptance of the notion that wisdom can be derived from the averaging of opinions, providing there are enough of them. The quantitative theory of wisdom, so to speak!

If one will concede that the aforementioned committee characteristics and council behaviors are perversions of truth, it becomes interesting to observe the manner of their extension — to observe how the lie is compounded.

Analyzed, it is something like this: An association takes a stand on a certain issue and claims or implies it speaks for its 1,000,000 members. It is possible, of course, that each of the 1,000,000 members agrees with the stand taken by the organization. But, in all probability, this is an untruthful statement, for the following possible reasons:

(1) If every member were actually polled on the issue, and the majority vote were accepted as the organization's position, there is no certainty that more than 500,001 persons agreed with the position stated as that of the 1,000,000.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(2) If not all members were polled, or not all were at the meeting where the voting took place, there is only the certainty that a majority of those voting favored the position of the organization — still claimed to be the belief of 1,000,000 persons. If the quorum should be 100, there is no certainty that more than 51 persons agreed with that position.

(3) It is still more likely that the opinion of the members was not tested at all. The officers, or some committee, or some one person may have determined the stand of the organization. Then there is no certainty that more than one person (or a majority of the committee) favored that position.

(4) And, finally, if that person should be dishonest — that is, untrue, to that which he personally believed to be right, either by reason of ulterior motives, or by reason of anticipating what the others would like or approve — then, it is pretty certain that the resolution did not even originate in honest opinion.

An example will assist in making the point. The economist of a national association and a friend were breakfasting one morning, just after V-J Day. Wage and price controls were still in effect. The conversation went something as follows:

"I have just written a report on wage and price controls which I think you will like."

"Why do you say you *think* I will like it? Why don't you say you *know* I will like it?"

"Well, I — er — hedged a little on rent controls."

"You don't believe in rent controls. Why did you hedge?"

"Because the report is as strong as I think our Board of Directors will adopt."

"As the economist, isn't it your business to state that which you believe to be right? If the Board Members want to take a wrong action, let them do so and bear the responsibility for it."

Actually, what happened? The Board did adopt that report. It was represented to the Congress as the considered opinion of the constituency of that association. Many of the members believed in the immediate abolishment of rent control. Yet, they were reported as believing otherwise — and paying dues to be thus misrepresented. By supporting this procedure with their membership and their money, they were as responsible as though they had gone before the Congress and told the lie themselves.

To remove the twofold dishonesty from such a situation, the spokesman of that association would have to say something like this to Congress:

"This report was adopted by our

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Board of Directors, 35 of the 100 being present. The vote was 18 to 12 in favor of the report, 5 not voting. The report itself was prepared by our economist, *but it is not an accurate reflection of his views.*"

Such honesty or exactness is more the exception than the rule as everyone who has had experience in associational work can attest. What really happens is a misrepresentation of concurrence, a program of lying about how many of who stands for what. Truth, such as is known, is seldom spoken. It is warped into a misleading distortion. It is obliterated by this process of the majority speaking for the minority, more often by the minority speaking for the majority, sometimes by one dishonest opportunist speaking for thousands. Truth, such as is known — the best judgments of individuals — for the most part, goes unrepresented, unspoken.

This, then, is the stuff out of which much of local, national, and world policy is being woven. Is it any wonder that many citizens are confused?

Three questions are in order:

(1) What is the reason for having all these troubles with truth?

(2) What should we do about these associational difficulties?

(3) Is there a proper place for associational activity as relating to important issues?

"And now remains
That we find out the cause of this effect;
Or, rather say, the cause of this defect,
For this effect, defective, comes by cause."

POINTING OUT causes is a hazardous venture, for as one ancient sage put it, "Even from the beginnings of the world descends a chain of causes." Thus, for the purpose of this critique, it would be folly to attempt more than casual reference to some of our own recent experiences.

First, there doesn't appear to be any widespread, lively recognition of the fact that conscience, reason, knowledge, integrity, fidelity, understanding, judgment, and other virtues are the distinctive and exclusive properties of individual persons.

Somehow, there follows from this lack of recognition the notion that wisdom can be derived by pooling the conclusions of a sufficient number of persons, even though no one of them has applied his faculties to the problems in question. With this as a notion the imagination begins to ascribe personal characteristics to a collective—the committee, the group, the association — as though the collective could think, judge, know,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

or assume responsibility. With this as a notion, there is the inclination to substitute the "decisions of men united in councils" for reason and conscience. With this as a notion, the responsibility for personal thought is relieved and, thus relieved, fails to materialize to its fullest.

Second, there is an almost blind faith in the efficacy and rightness of majority decision as though the mere preponderance of opinion were the device for determining what is right. This thinking is consistent with and a part of the "might makes right" doctrine.

Third, we have in this country carried the division-of-labor practice to such a high point and with such good effect in standard-of-living benefits that we seem to have forgotten that the practice has any limitations. Many of us, in respect to our voluntary associational activities, have tried to delegate moral and personal responsibilities to mere abstractions, which is what associations are, without persons. In view of (1) this being an impossibility, (2) our persistent attempts to do it, nonetheless, and (3) the consequent loss of reason and conscience when personal responsibility is not personally assumed, we have succeeded in manufacturing little more than massive quantities of collective declarations and resolutions. These, lacking in both wit and reason, have the power to inflict damage but are generally useless in conferring understanding. So much for causes.

"What should we do about these associational difficulties?" This writer, to be consistent with his own convictions, finds it necessary to drop into first person, singular, to answer this question.

In brief, I do not know what our attitude should be, but only what mine is. *It is to have no part in any association whatever which takes actions implicating me for which I am not ready and willing to accept personal responsibility.*

Put it this way: If I am opposed, for instance, to spoliation — legal plunder — I am not going to risk being reported in its favor. This is a matter having to do with morals, and moral responsibility is strictly a personal affair. In this, and like areas, I prefer to speak for myself. I do not wish to carry the division-of-labor idea, the delegation of authority, to this untenable extreme.

This determination of mine refers only to voluntary associations and does not include reference to membership in or support of a political party. The latter has to do with my relationship to coercive

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agencies and these, as I have suggested, are birds of another feather.

One friend who shares these general criticisms objects to the course I have determined on. He objects on the ground that he must remain in associations which persist in misrepresenting him in order to effect his own influence in bettering them. If one accepts this view, how can one keep from "holing up" with any evil to be found, anywhere? If lending one's support to an agency which lies about one's convictions is as evil as lying oneself, and if to stop such evil in others one has to indulge in evil, it seems evident that evil will soon become unanimous. The alternative? Stop doing evil. This at least has the virtue of lessening the evildoers by one.

The question, "Is there a proper place for associational activity as relating to important issues?" is certainly appropriate if the aforementioned criticisms be considered valid.

First, the bulk of activities conducted by many associations is as businesslike, as economical, as appropriate to the division-of-labor process, as is the organization of specialists to bake bread or to make automobiles. It is not this vast number of useful service activities that is in question.

The phase of activities here in dispute has to do with a technique, a method by which reason and conscience — such truths as are possessed — are not only robbed of incentive for improvement but are actually turned into fabrications, and then represented as the convictions of persons who hold no such convictions.

It was noted above that not all bodies called committees are true committees, a true committee being an arrangement by which a number of persons bring forth a report consistent with what the majority is willing to state in concert. The true committee is part and parcel of the majority-decision system.

The alternative arrangement, on occasion referred to as a committee, may include the same set of men. The distinction is that the responsibility and the authority for a study is vested not in the collective, the group, but in one person, preferably the one most skilled in the subject at issue. The others serve as consultants. The one person exercises his own judgment as to the suggestions to be incorporated or omitted. The report is his and is presented as his, with such acknowledgments of assistance and concurrence as the facts warrant. In short, the responsibility for the study and the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

authority to conduct it are reposed where responsibility and authority are capable of being exercised — in a person. This arrangement takes full advantage of the skills and specialties of all parties concerned. The tendency here is toward an intellectual leveling-up, whereas with the true committee the lowest common-denominator opinion results.

On occasion, associations are formed for a particular purpose and supported by those who are like-minded as to that purpose. As long as the associational activities are limited to the stated purpose and as long as the members remain like-minded, the danger of misrepresentation is removed.

It is the multi-purposed association, the one that potentially may take a "position" on a variety of subjects, particularly subjects relating to the rights or the property of others — moral questions — where misrepresentation is not only possible but almost certain.

The remedy here, if a remedy can be put into effect, is for the association to quit taking "positions" except on such rare occasions as unanimous concurrence is manifest, or except as the exact and precise degree and extent of concurrence is represented.

The alternative step to most associational "positions" is for the members to employ the division-of-labor theory by pooling their resources to supply services to the members — as individuals. Provide headquarters and meeting rooms where they may assemble in free association, exchange ideas, take advantage of the availability and knowledge of others, know of each other's experiences. In addition to this, statisticians, research experts, libraries, and a general secretariat and other aids to effective work can be provided. Then, let the individuals speak or write or act as individual persons! Indeed, this is the real, high purpose of voluntary associations.

THE practical as well as the ethical advantages of this suggested procedure may not at first be apparent to everyone. Imagine, if you can, Patrick Henry as having said:

"I move that this convention go on record as insisting that we prefer death to slavery."

Now, suppose that the convention had adopted that motion. What would have been its force? Certainly almost nothing as compared with Patrick Henry's ringing words,

"I know not what course others may take; but as for me, give me liberty or give me death!"

No one in this instance con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cerned himself with what Patrick Henry was trying to do to him or to someone else. One thought only of what Patrick Henry had decided for himself and weighed, more favorably, the merits of emulation. No convention, no association, no "decisions of men united in councils" could have said such a thing in the first place; and second, anything the members might have said in concert could not have equaled this. Third, had the convention been represented in any such sentiments, it is likely that misrepresentations would have been involved.

One needs to reflect but a moment on the words of wisdom that have come down to us throughout all history, the words and works that have had the power to live, the words and works around which we have molded much of our lives, and one will recognize that they are the words and works of persons, not collective resolutions, not what men have uttered in concert, not the "decisions of men united in councils."

In short, if effectiveness for what's right is the object, then the decision-of-men-united-in-council practice could well be abandoned, if for nothing else, on the basis of its impracticality. It is a waste of time in the creative areas, that is, for the advancement of truth.

The reasons for the impracticality of this device in the creative areas seem clear. Each of us when seeking perfection, whether of the spirit, of the intellect, or of the body, looks not to our inferiors but to our betters, not to those who self-appoint themselves as our betters, but to those who, in our own humble judgment, are our betters. Experience has shown that such perfection as there is exists in individuals, not in the lowest common-denominator expressions of a collection of individuals. Perfection emerges with the clear expression of personal faiths — the truth as it is known, not with the confusing announcement of verbal amalgams — lies.

". . . on that day began lies that caused the loss of millions of human beings and which continue their unhappy work to the present day." The evidence, if fully assembled and correctly presented, would, no doubt, convincingly affirm this observation.

How to stop lies? It is simply a matter of personal determination and a resolve to act and speak in strict accordance with one's inner, personal dictate of what is right — and for each of us to see to it that no other man or set of men is given permission to represent us otherwise.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Prisoner of Chillon

Francois Bonnivard was held a political prisoner for four years in the underground dungeon of the Chateau de Chillon, an ancient castle on the eastern end of Lake Geneva. He was finally released on March 29, 1536.

The English poet, Lord Byron, though he did not have access to all the facts, wrote a stirring description of Bonnivard's captivity, "The Prisoner of Chillon." After a detailed portrayal of the prisoner's abhorrence of his confinement — during which he was kept in chains and denied even the privilege of seeing daylight — Byron describes Bonnivard's release in the final stanzas of the poem, thus:

It might be months, or years,
or days,
I kept no count, I took no note,
I had no hope my eyes to raise,
And clear them of their dreary
mote;
At last men came to set me free;
I ask'd not why, and reck'd not
where;
It was at length the same to me,
Fetter'd or fetterless to be,
I learn'd to love despair.
And thus when they appear'd at
last,
And all my bonds aside were cast,
These heavy walls to me had grown
A hermitage — and all my own!
And half I felt as they were come
To tear me from a second home:
With spiders I had friendship made,
And watch'd them in their sullen
trade,
Had seen the mice by moonlight
play,
And why should I feel less than
they?
We were all inmates of one place,
And I, the monarch of each race,
Had power to kill — yet, strange
to tell!
In quiet we had learn'd to dwell;
My very chains and I grew friends,
So much a long communion tends
To make us what we are: — even I
Regain'd my freedom with a sigh.

NOTE: What I thought to be original, in "Why Is Slavery Possible?" in last November's IDEAS ON LIBERTY, looks more and more like plagiarism, however innocent. First, my good friend, Ralph Bradford, called attention to a passage from his book *Heritage*, published in 1950, and reprinted as "Contented Slavery" in the January FREEMAN. Now, Tom Shelly recalls how the idea had been expressed by Lord Byron in 1816. And, no doubt, the Dead Sea Scrolls and other writings of antiquity also may yield the thought that slavery can become a habit. It isn't easy to produce an "original"; still, it is stimulating to grasp for one's own an idea that others may have known long before.

LEONARD E. READ

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

On Liberty

John Stuart Mill

Man's right to think and act for himself is more in jeopardy today than in 1859, when Mill published the famed essay from which these paragraphs are selected.*

AS THE TENDENCY of all the changes taking place in the world is to strengthen society, and diminish the power of the individual, this encroachment is not one of the evils which tend spontaneously to disappear, but, on the contrary, to grow more and more formidable. The disposition of mankind, whether as rulers or as fellow citizens, to impose their own opinions and inclinations as a rule of conduct on others, is so energetically supported by some of the best and by some of the worst feelings incident to human nature, that it is hardly ever kept under restraint by anything but want of power; and as the power is not declining, but growing, unless a strong barrier of moral conviction can be raised against the mischief, we must expect, in the present circumstances of the world, to see it increase . . . .

It is not by wearing down into uniformity all that is individual in themselves, but by cultivating it and calling it forth, within the limits imposed by the rights and interests of others, that human beings become a noble and beautiful object of contemplation; and as the works partake the character of those who do them, by the same process human life also becomes rich, diversified, and animating, furnishing more abundant aliment to high thoughts and elevating feelings, and strengthening the tie which binds every individual to the race, by making the race infinitely better worth belonging to. In proportion to the development of his individuality, each person becomes more valuable to himself, and is therefore capable of being more valuable to others. There is a greater fullness of life about his own existence, and when there is more life in the units, there is more in the mass which is composed of them.

As much compression as is necessary to prevent the stronger specimens of human nature from encroaching on the rights of others, cannot be dispensed with; but for this there is ample com-

*The Regnery paperbacked edition of Mill's *On Liberty* is available through the Foundation. 148 pp. 85 cents.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pensation even in the point of view of human development. The means of development which the individual loses by being prevented from gratifying his inclinations to the injury of others, are chiefly obtained at the expense of the development of other people. And even to himself there is a full equivalent in the better development of the social part of his nature, rendered possible by the restraint put upon the selfish part.

To be held to rigid rules of justice for the sake of others, develops the feelings and capacities which have the good of others for their object. But to be restrained in things not affecting their good, by their mere displeasure, develops nothing valuable, except such force of character as may unfold itself in resisting the restraint. If acquiesced in, it dulls and blunts the whole nature.

To give any fair play to the nature of each, it is essential that different persons should be allowed to lead different lives. In proportion as this latitude has been exercised in any age, has that age been noteworthy to posterity. Even despotism does not produce its worst effects, so long as individuality exists under it; and whatever crushes individuality is despotism, by whatever name it may be called, and whether it professes to be enforcing the will of God or the injunctions of men . . . .

THE DESPOTISM of custom is everywhere the standing hindrance to human advancement, being in unceasing antagonism to that disposition to aim at something better than customary, which is called, according to circumstances, the spirit of liberty, or that of progress or improvement. The spirit of improvement is not always a spirit of liberty, for it may aim at forcing improvements on an unwilling people; and the spirit of liberty, in so far as it resists such attempts, may ally itself locally and temporarily with the opponents of improvement; but the only unfailing and permanent source of improvement is liberty, since by it there are as many possible independent centers of improvement as there are individuals . . . .

Human beings owe to each other help to distinguish the better from the worse, and encouragement to choose the former and avoid the latter. They should be forever stimulating each other to increased exercise of their higher faculties, and increased direction of their feelings and aims towards wise instead of foolish, elevating instead of degrading, objects and contem-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

plations. But neither one person, nor any number of persons, is warranted in saying to another human creature of ripe years, that he shall not do with his life for his own benefit what he chooses to do with it. He is the person most interested in his own well-being: the interest which any other person, except in cases of strong personal attachment, can have in it, is trifling, compared with that which he himself has; the interest which society has in him individually (except as to his conduct to others) is fractional, and altogether indirect: while, with respect to his own feelings and circumstances, the most ordinary man or woman has means of knowledge immeasurably surpassing those that can be possessed by any one else . . . .

IN THE CONDUCT of human beings towards one another, it is necessary that general rules should for the most part be observed, in order that people may know what they have to expect; but in each person's own concerns, his individual spontaneity is entitled to free exercise. Considerations to aid his judgment, exhortations to strengthen his will, may be offered to him, even obtruded on him, by others; but he himself is the final judge. All errors which he is likely to commit against advice and warning, are far outweighed by the evil of allowing others to constrain him to what they deem his good . . . .

The . . . most cogent reason for restricting the interference of government, is the great evil of adding unnecessarily to its power. Every function superadded to those already exercised by the government, causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government, or of some party which aims at becoming the government. If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be great-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

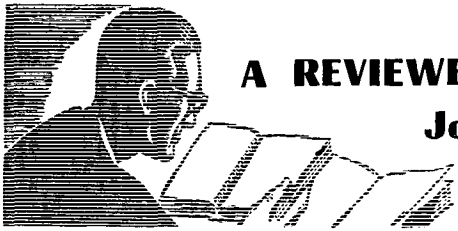
er, the more efficiently and scientifically the administrative machinery was constructed . . . .

IF INDEED all the high talent of the country *could* be drawn into the service of the government, a proposal tending to bring about that result might well inspire uneasiness. If every part of the business of society which required organized concert, or large and comprehensive views, were in the hands of the government, and if government offices were universally filled by the ablest men, all the enlarged culture and practiced intelligence in the country, except the purely speculative, would be concentrated in a numerous bureaucracy, to whom alone the rest of the community would look for all things: the multitude for direction and dictation in all they had to do; the able and aspiring for personal advancement. To be admitted into the ranks of this bureaucracy, and when admitted, to rise therein, would be the sole objects of ambition . . . .

It is not, also, to be forgotten, that the absorption of all the principal ability of the country into the governing body is fatal, sooner or later, to the mental activity and progressiveness of the body itself. Banded together as they are — working a system which, like all systems, necessarily proceeds in a great measure by fixed rules — the official body are under the constant temptation of sinking into indolent routine, or, if they now and then desert that mill-horse round, of rushing into some half-examined crudity which has struck the fancy of some leading member of the corps: and the sole check to these closely allied, though seemingly opposite, tendencies, the only stimulus which can keep the ability of the body itself up to a high standard, is liability to the watchful criticism of equal ability outside the body . . . .

The worth of a State, in the long run, is the worth of the individuals composing it; and a State which postpones the interests of *their* mental expansion and elevation, to a little more of administrative skill, or of that semblance of it which practice gives, in the details of business; a State which dwarfs its men, in order that they may be more docile instruments in its hands even for beneficial purposes — will find that with small men no great thing can really be accomplished; and that the perfection of machinery to which it has sacrificed everything, will in the end avail it nothing, for want of the vital power which, in order that the machine might work more smoothly, it has preferred to banish.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



A REVIEWER'S NOTEBOOK

John Chamberlain

IN their *Monopoly in America: The Government as Promoter* (New York: Macmillan. 221 pp. $3.50), Walter Adams and Horace M. Gray have hit upon a profound truth — that it is the State itself which establishes and fosters the conditions making for monopoly. Unfortunately these two crusading professors — Dr. Adams teaches economics at Michigan State University while Dr. Gray has been connected with the University of Illinois — have no antidote for the poison of monopoly except to come up with a plea for even more state intervention and control than we have at present.

The book begins rather nobly, and at first one is inclined to overlook the occasional *non sequiturs* that interrupt the drive of an inexorable logic. There is a first-rate chapter called "Looking Backward" in which the authors canvass the history of royal grants and common law opposition to monopoly in England. The section on "Regulation and Public Utilities" is intermittently brilliant; the authors conclusively prove that such governmental regulatory agencies as the Federal Communications Commission and the Civil Aeronautics Board normally wind up by becoming the creatures of vested interests, choking off competition at the fringes by various short-sighted applications of "due process of administration" and by inane interpretation of congressional enabling acts. But even in the authors' most brilliant chapters the *non sequiturs* are puzzling.

As the book progresses, the *non sequiturs* pile up, ending with the big logical howler that, since the government has failed to use its existing regulatory powers to forestall and eliminate monopoly, it should be granted an even greater and far more pervasive role in the industrial process.

The basic trouble with the Messrs. Adams and Gray is that they confuse bigness *per se* with monopoly — or, to use the fancy new word, with oligopoly. But Adams and Gray misread their

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

own evidence, which is to the effect that bigness makes for softness, not monopoly. On page fourteen the authors deal somewhat contemptuously with the U. S. Steel Corporation, quoting Professor Stocking to the effect that "the Steel Corporation has lagged, not led," and that "it was neither big because it was efficient, nor efficient because it was big." According to the authors, the management consulting firm of Ford, Bacon, and Davis "ostensibly pictured the Corporation . . . as a big sprawling giant . . . with less efficient production facilities than its rivals had; slow in introducing new processes and new products."

WHETHER this picture of U. S. Steel is right or wrong need not concern us for the moment. The really important thing to note here is that, whether efficient or not, U. S. Steel has not succeeded in monopolizing the steel business in America. Adams and Gray inadvertently admit this when they say subsequently that the "medium-sized companies (Bethlehem, Republic, American Rolling Mills) have been more progressive than the giant U.S. Steel Corporation."

In short, the history of U. S. Steel would seem to demonstrate the impossibility of sewing up a field without assistance from a government regulatory agency. When U. S. Steel was put together by Morgan at the beginning of the century, it controlled just about everything connected with its business, from mining to ore boats, from billets and rod to structural shapes and wire. And it had most of the steel business by volume. But U. S. Steel broke upon a single factor: the human equation. It couldn't contain the effervescent spirit of Charlie Schwab.

Moving over to Bethlehem Steel, Schwab started competing. Before long there were other valiant competitors: Republic, J & L, Armco, Ernest Weir's National Steel. And with the coming of differentiation in the basic steel product, a score of small companies started ballooning on their own. From the rise of Crucible Steel and Allegheny Ludlum to the extremely recent emergence of Eastern Stainless Steel, the list is dotted with corporate Horatio Alger stories. It is true that the small company generally makes a specialty product. But when the small company, sensing an opportunity when a big fellow becomes sluggish in a particular line, goes in for variegation on its own hook, then the door is blown wide open.

The curious thing is that gi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ants in other fields refuse to depend on the giants of steel. Thus General Motors has helped finance the McLouth Co. of Detroit in order to have an "independent" source of steel. The Ford Motor Co. has its own steel mill. And the International Harvester Co., maker of agricultural machinery and trucks, is in the steel business, too.

FOR WHATEVER reason, then, the steel monopoly that seemed imminent at the turn of the century has eroded away. The same thing has happened in oil. The Messrs. Adams and Gray seem to think that oil is a monopoly industry because of international consortiums and the control of "hot oil" by the proration policies of Texas, Oklahoma, and other states. They speak of the "alienation of the public domain." But what would be the alternative to a privately organized oil industry? Have governments ever been good at tapping hidden resources that are wrapped in geological mystery? If Adams and Gray would ponder Wallace Pratt's marvelously revealing little book, *Oil in the Earth*, they might feel differently about the conditions making for a progressive state of affairs in oil.

Parenthetically, one would like to protest the pejorative use of the phrase, "alienation of the public domain," that crops up in the Adams-Gray book. The whole history of America is one of "alienation" if one is to accept the Adams-Gray usage. The early settlers took up land that ostensibly belonged to the Crown of England, or to the great trading companies. The post-Civil War farmers got their quarter-sections under the Homestead Act. This was all "alienation" as Adams and Gray implicitly define it. Was homesteading "fair" to the mechanics of the East who didn't go West to avail themselves of governmental largesse? The answer must be that it was just as fair as the ownership that came as a result of staking a claim to a mine or an oil well. No more, no less. It is only in a world of inhuman abstraction that the system of private ownership of the earth's surface or sub-surface can be called "alienation." Anyway, if one wishes to be sticky about definitions, the government "alienated" the land from Indians in the first place. The futility of the "alienation" approach was demonstrated once and for all by Franz Oppenheimer's book, *The State*, which proved that *all* ownership originated in "alienation" of natural resources by conquering tribal kings and their retain-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ers. Oppenheimer is right, but so what? Since the original "alienation," private individuals have succeeded in wresting property from governments here and there in certain parts of the earth. These parts of the earth have proved to be the more progressive regions. Ergo, it has been historically demonstrated that "alienation" by private individuals, if you want to call it alienation, is a good thing, pragmatically considered.

ADAMS AND GRAY have worked in Washington, as economic consultants and advisers. They know a great deal about the Washington end of things. Some of their criticism of government purchasing habits is quite well-taken. But when the Pentagon enters into a contract, it is forced by the very act of choice to "discriminate." No doubt the Chrysler Corporation had a right to feel slighted when General Motors got an exclusive contract to produce the M-48 tank. But if Chrysler had shared in the program, what about Ford and American Locomotive? They would have had a right to squawk, too. All choices imply exclusions. The fact of the matter is that somebody is going to be slighted as long as the government is in business for any reason, anywhere.

This is not to say that the government should be permitted to hand out contracts without considerations of cost, or of proper dispersion of facilities. Maybe Chrysler should have shared in that tank contract for reasons of proper dispersal, even though the General Motors bid was lower by some 10 per cent. Such points are always arguable. Where I would differ from Adams and Gray is on the score of what government favoritism does to alter the pattern of U. S. industry as a whole. For example, a year or so ago I visited a small electronics manufacturer in Long Branch, New Jersey. During the Korean War this manufacturer had done a lot of business with the government. With the cessation of hostilities in the Far East, the government became less dependable as a buyer. Inevitably, the electronics manufacturer was compelled to find a market for his specialties in private industry. The "root, hog, or die" imperative forced an inventiveness that has resulted in a vast improvement of the company's position in its field. And who knows, maybe the fact that Chrysler isn't making tanks has had a lot to do with the "forward look" of the com-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pany's 1955 and 1956 cars. Energy released from one thing is bound to show up in another. It could even be that government orders are bad things for a company in the long run; they induce satiety at the same time they make for vulnerability. In any case, the problem is nowhere near the simple thing which the Adams-Gray approach would make it out to be.

The over-all virtue of the Adams-Gray book is that it indicates the role which governments play in cultivating monopoly. The over-all defect is that it fails to push the logic of its own insight to the proper conclusion: let governments get out of business, and let there be less regulation rather than more.

MacARTHUR — His Rendezvous with History *by* MAJOR GEN. COURTNEY WHITNEY. *New York: Alfred A. Knopf.* 547 *pages.* $6.75.

When all of the participants in the strange politico-military drama identified by the name of General MacArthur shall have passed from the scene, and the passions it has engendered will have followed them to the grave, we may get to the bottom of the plot. It will then be known why a general and his armies were sent by his political superiors into battle for the purpose of either losing it or, at least, not winning it. Was it political miscalculation, sheer bungling, or was it confusion touched with a bit of treason?

Among the books which the cool historians of the future will have to use as source material will be *MacArthur — His Rendezvous with History*, written by the general's aide and confidant during the Pacific Wars, Maj. Gen. Courtney Whitney. This is quite obviously a eulogy by a close friend. And yet, it is so replete with documentary evidence of what went on in the troublous days between Australia and Korea that the book cannot be passed over as sheer idolatry. There is too much meaning for that in the dispatches between field headquarters and Washington, heretofore unpublished, and the course of events have so vindicated the prognostications of the general that one is inclined to ask whether the politicians who opposed him were blind or vicious, regardless of Gen. Whitney's opinions.

Until history can pass unbiased judgment, the book will serve as good reading. It is about a man, a man of great military genius (even his enemies are compelled to admit that), a man of principle and the moral courage to back up his convictions. That makes the story interesting. And, despite the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

long quotes that the author felt impelled for historical reasons to include, it is written in a lucid style; one learns to skip the quotations (the first sentence or two give the meaning of the whole passage), and then one has a tale as vivid as fiction. It is hard to put the book down once you have started to read it.

FRANK CHODOROV

The Christian as Citizen *by* JOHN C. BENNETT. *New York: Association Press.* 93 *pages.* $1.25.

John C. Bennett is Dean of New York's Union Theological Seminary and one of the leaders of the movement to apply Gospel precepts to the ordering of society by means of a politically planned economy. This notion, popularly known as the Social Gospel, finds expression through the social action agencies of all major denominations, as well as in the National and World Councils of Churches. Many active participants in the Social Gospel movement were Socialists, as was Dr. Bennett. Most of them are now middle-of-the-roaders, as is Dr. Bennett. He has given up the idea, he writes elsewhere, that either collectivism or individualism has a set of principles which may be consistently applied to society. There are "middle axioms" instead. The "middle axiom" combines all the fun of having principles with none of the risk.

There is nothing new in this little book, but it serves as a summary of the thinking of those who are powerfully entrenched in certain ecclesiastical circles, showing up their misconception and blind-spots. It will be convenient to list the main points and comment on each in turn.

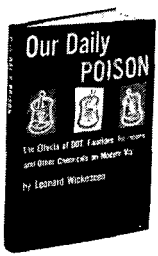
(1) "Christian responsibility for society," writes Dr. Bennett, "includes a responsibility for radical criticism of the existing order." This sounds plausible, in view of the inveterate tendency of churchmen to be monarchists under a monarchy, democrats in a democracy, and so on. But the existing order, as Dr. Bennett sees it, is a sort of robber baron, ruthless exploitation of the weak by the strong. Despite the fact that we have a Welfare State, that every "advanced" country in the world has either a mixed economy or outright socialism, he warns his reader against "making a god of . . . economic free-enterprise." The "existing order" is collectivism; but expect no "radical criticism" of it from Dr. Bennett!

(2) Dr. Bennett is one of those who urge the strengthening of government to the point where it can balance out the power which

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

he reads into economic life. "Power as such," he writes, "is neither wholly good nor wholly bad, and it is necessary that there be power in both economic and political life." The best brief comment on this prevalent misunderstanding has been made by Hayek. "It is merely a play upon words," he writes, "to speak of the 'power collectively exercised by private boards of directors' so long as they do not combine to concerted action which would, of course, mean the end of competition and the creation of a planned economy. To split or decentralize power is necessarily to reduce the absolute amount of power, and the competitive system is the only system designed to minimize by decentralization the power exercised by man over man."

(3) Speaking of modern commu-



SECOND LARGE PRINTING

Our Daily Poison *by* LEONARD WICKENDEN

IN this quietly frightening little book, a noted chemist and Fellow of the American Institute of Chemists, makes you aware of the dangers of Fluoridation, DDT, Hormones and other powerful chemicals which are poisoning our food, our land and much of the air we breathe. Few of us have any idea of the harm being done by sprayed fruits and vegetables; by hormone-fattened beef and poultry; by chemically aged flour; by some of the latest cosmetics; and especially by fluoridated drinking water, which has become one of the most controversial issues of the day.

Mr. Wickenden tells a story of prime importance to you and your family. His thoroughly documented book is the result of many hours spent poring over medical and scientific journals, and Congressional reports.

Three eminent physicians contribute corroborative forewords:

Jonathan Forman, M.D.
Morton S. Biskind, M.D.
William Coda Martin, M.D.

Order your copy today

Price* $3.00** ***At All Bookstores

The Devin-Adair Co., Publishers
23 East 26th Street
New York 10, New York

Sirs: Please send.....copies of OUR DAILY POISON @ $3.00 per copy.

I enclose $.....

Name.....
PLEASE PRINT

Street.....

City.....State.....

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nism, Dr. Bennett says it had its origin in the wholly justified revolt of mind and conscience against the inhumanities of the nineteenth century capitalism. Historians have recently reassessed this period and shown that it was not the gory thing it was represented to be by Fabian pamphleteers. It had its evils, to be sure, as what period does not? But as certain as anything in historical and philosophical matters can be, there is nothing wrong with such conditions that communism can cure.

Communism also "represents a form of divine judgment upon the white race, and upon the nations and classes which have until recently run the world largely for their own benefit. It is a judgment on the churches." But if this be the case, then, in Dr. Bennett's twisted vision, the fault lies almost wholly with the West while judgment is almost wholly being executed on the East!

(4) Dr. Bennett reads the world situation in terms of totalitarian threats from both right and left. "At the present time," we are relieved to learn, "only the totalitarianism of the left, communism, is a real threat." The fact that fascists and communists have battled among themselves should not blind us to their essential similarity. In the Wars of Religion, Christian fought Christian, but neither side could be properly labeled "infidel." As long as the communists can get people to concentrate on the distinction, "right" and "left," so that any opposition to communism may be labeled "rightist" or "reactionary," it will be impossible to think straight about the political and economic conditions which bedevil the modern world.

E. A. OPITZ

HERE IS THE BOOK!

Used by many schools, organizations and industry

THE KEY TO THE CONSTITUTION OF THE UNITED STATES

Quick answers to constitutional questions

50 cents each Quantity discounts

ORDER NOW

PATRIOTIC EDUCATION, INC., Dept. Fee
Penobscot Building, Detroit 26, Michigan

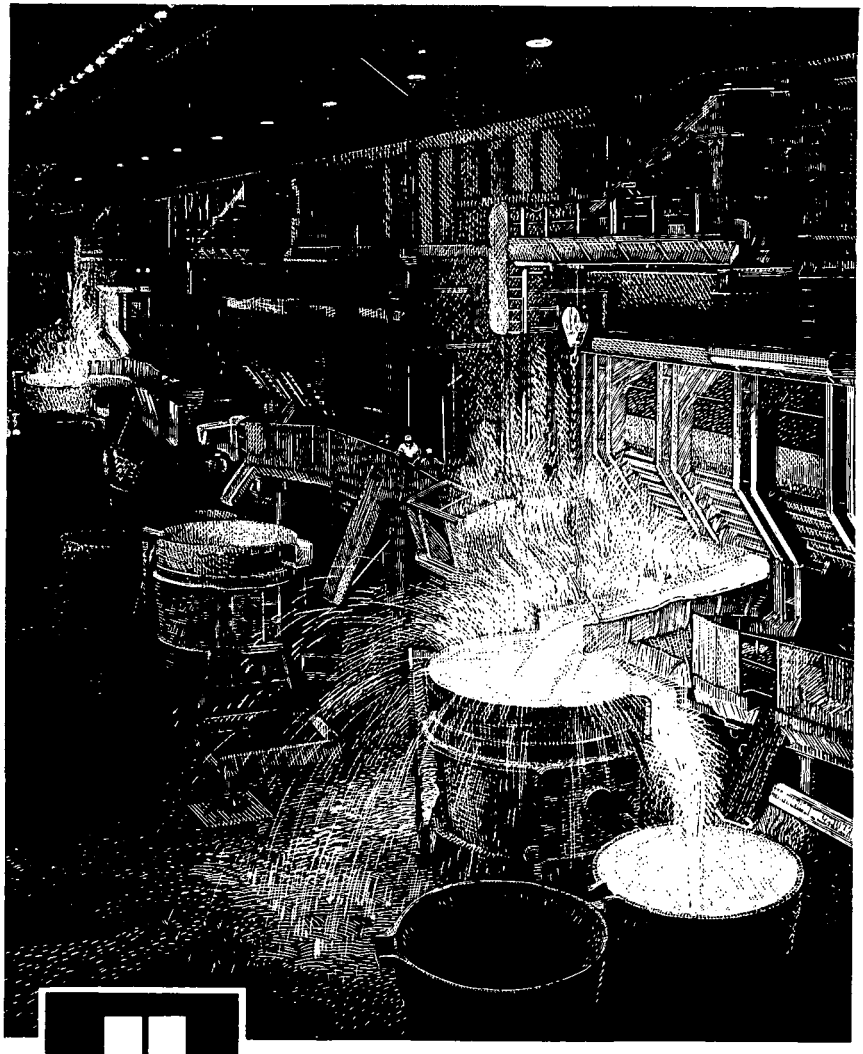
Any book reviewed in this Book Section (or any other current book) supplied by return mail. You pay only the bookstore price. We pay the postage anywhere in the world. Catalogue on request.

THE BOOKMAILER, Box 101, New York 16

Correction, Please

Mr. Alden M. Cohen, student at Carleton College, Northfield, Minnesota, advises that he did not submit the item attributed to him in the "On Campus" page of the November, 1955, FREEMAN. THE EDITOR

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Tapping the Open Hearths at J&L's Pittsburgh Works

J&L STEEL

Jones & Laughlin

STEEL CORPORATION · PITTSBURGH

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ABOUT THE PUBLISHER

THE FOUNDATION for Economic Education is a non-profit institution dedicated to a society of free men, voluntarily cooperating with one another, to the end that each may best realize his potential. This involves the study, explanation, and promotion of such libertarian ideals as private ownership, willing exchange, open competition, and limited government.

In addition to publication of THE FREEMAN each month — a major undertaking in itself — the Foundation also conducts numerous other projects. A detailed report of these activities is available on request.

The work of the Foundation is wholly financed through voluntary contributions, which range from modest amounts up to $10,000 a year from some donors. Foundation publications are not offered on a regular subscription basis, but the first $5.00 of each annual contribution is regarded as payment for THE FREEMAN.

Contributions that exceed the cost of the literature received by donors enable the Foundation to offer its publications on request and without charge to students, teachers, and others who may wish them. The Foundation has no way of providing this service except through the financial support of those who can and want to help.

All donations are deductible for income tax purposes.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED